

# Media Release

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Private Healthcare Australia  
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## **Minns Government's new health insurance tax adds extra cost-of-living pressure on 4m people**

NSW families struggling through cost-of-living pressures will have to pay more for private health insurance after the Minns Government's new health tax was passed by the NSW Legislative Council.

The tax will hit lower income earners the hardest from early next year after being rushed through NSW Parliament this week following minimal public scrutiny.

The legislation will increase health insurance premiums by \$78 for individuals, while families will have to find an extra \$156 from as early as January 1. This will wipe out much of the Federal Government's \$300 contribution to every household for power bill relief during what is the worst economic crisis most people have ever experienced.

"This policy is a kick in the teeth for the millions of people in NSW who are contributing to their own healthcare in a cost-of-living crisis," said Private Healthcare Australia CEO Dr Rachel David.

"It will make NSW the most expensive state in Australia to hold health insurance and cause more than 75,000 people to drop their insurance next year. This will increase pressure on public hospitals, which are already at breaking point."

NSW is the only state in Australia that taxes people contributing to their own healthcare via health insurance in this way. This is despite 65 per cent of people with health insurance having a taxable income of \$90,000 or less and 38 per cent having an income of \$50,000 or less.

The Minns Labor Government claimed the tax was necessary because some health funds were not paying the government's preferred single room rate for privately insured patients staying in public hospitals. This is despite all funds paying legal room rates regulated by the Commonwealth. In addition, single rooms in public hospitals are not routinely available for "private patients".

Dr David said PHA was very disappointed the government rejected a Coalition amendment to spare health funds that were already paying the NSW preferred rate from the tax hike.

"The Government's unwillingness to engage with the amendment shows the tax is all about raising money from people with health insurance for general revenue to fix the government's budget black hole. It has nothing to do with improving the NSW health system."

Dr David accused the NSW Treasurer of rushing the bill through both houses of NSW Parliament to avoid public scrutiny so it could start collecting the tax as early as possible.

"NSW Treasury have done no work on this policy at all," she said. "They have not produced any work on price sensitivity or the impact it will have on public hospital waiting lists. Embarrassingly, it even got the number of health insurance funds wrong, causing Ministers to talk about '53 health insurers' when there are only 30," she said.

*Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 22 Australian health funds. 14.9 million Australians (55% of the population) have private health insurance.*

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“Diverting almost \$1 billion from people with private health insurance and the Federal Government into NSW general revenue without any cost assessment will damage business confidence in NSW and undermine our entire mixed public-private health system. The timing is particularly bad for our private hospital sector, which is just starting to recover from a difficult period.

“This tax will be unfairly applied at the same rate for everybody, regardless of income and level of health insurance. So, if you’re paying for bronze health cover, you will pay the same tax as someone paying for gold cover.”

She said the tax will hit people in rural and regional areas of NSW particularly hard, and those living west of Sydney where many people have signed up for health cover in recent years. This includes areas like Blacktown-Parramatta, Campbelltown and Penrith.

“This is an extremely unfair policy for NSW residents who are already paying their taxes for public hospitals and health insurance premiums for private healthcare in case they need it. These people will now be forced to pay a third time and get nothing in return,” she said.

The tax will reduce demand for private hospitals and cannibalise health fund reserves to assist private hospitals in areas of need in acute financial distress, she added.

“To date, health funds have provided multiple voluntary payments to private hospitals to help them survive tough financial conditions. However, the Minns Government’s tax hike will cannibalise any reserves to do this in future. The capacity for the health funds to respond financially to the Federal Government’s ‘Private Hospital Health Check’ has now been eliminated.”

Economic modelling commissioned by PHA shows the Minns Government’s health tax is the equivalent to a 4.1% premium rise. This is on top of increases required to cover growing costs for claims. This year, premiums rose on average 3.03% across Australia.

PHA has briefed the Australian Prudential Regulation Authority on this detrimental tax to explain why it will be extremely difficult for health funds to deliver premium rises in 2025 below inflation. These premium rises will be determined in coming months to take effect on 1 April 2025.

The modelling also shows the tax will drive 75 000 people to drop their health insurance in NSW next year, blowing out public hospital waiting lists by 7%. NSW already has the longest waiting list for elective surgery in Australia. This will shift costs into the public system, cutting into the revenue NSW hopes to raise.

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