

# Media Release

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Private Healthcare Australia  
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## NSW government backs down on health tax in new agreement with health funds

The Minns Labor Government has backed down on a health tax that would result in an immediate rise to the cost of health insurance for four million NSW residents.

The NSW Government has informed health funds that, in return for them agreeing to pay the state's preferred rate for privately insured patient stays in public hospital single rooms, it will not raise the Health Insurance Levy.

The government passed legislation through both houses of Parliament last month so it could increase the levy from \$1.77 to \$3.27 per adult per policy from early next year. It claimed this was necessary because several funds were not paying the government's preferred rate for privately insured patient accommodation in single rooms in public hospitals. This is despite all funds paying the legally required rate set by the Commonwealth.

NSW is the only state that taxes its citizens who have health insurance, which is half the population.

Increasing the tax would have raised the cost of health insurance from as early as January 1 by \$340 each year for family policies and \$170 per annum for individual policies. This is in addition to any increase to annual premiums set by the Federal Government.

Private Healthcare Australia CEO, Dr Rachel David, described the resolution as the "less harmful option" for consumers, but said the NSW Government's decision to raise revenue from people with health insurance was still set to drive up the cost of health insurance unnecessarily for NSW residents from April.

"The NSW government has clearly recognised their citizens are against this tax hike during the worst cost-of-living crisis most people have ever lived through," she said.

"In the short term, this is a good outcome for millions of people in NSW who are investing in their health via health insurance so they can get rapid access to private hospitals with a doctor of their choice, and subsidised dental, optical and physiotherapy services, among others.

"It will prevent about 75,000 people dropping their health cover due to cost next year, and it should therefore reduce the chance of thousands of people flocking to busy public hospitals for medical care."

NSW citizens are still likely to face an increase in health insurance next year, though, due to the Minns Government's decision to raise \$140 million annually from privately insured patients who receive a single room in a public hospital. Health insurance premiums in the state are expected to rise by about 2.5% as a consequence, on top of any other increases due to inflation and the rising cost of delivering healthcare.

*Private Healthcare Australia is the peak representative body for Australia's private health insurance industry. PHA represents 22 Australian health funds with a combined membership of over 14.76 million Australians, or over 98% of the sector on membership.*

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“The NSW government has unfairly targeted people with health insurance to pay for its budget deficit. Health funds have tried to negotiate the best deal for consumers because every additional cost drives up the price of health insurance. We make no apology for this and will continue to fight as hard as necessary to protect consumers,” Dr David said.

In November, the Federal Department of Health asked health funds to specify the impact of the NSW Government’s measures in their applications to increase premiums for health insurance for 2025. This is unusual and reflects the seriousness of the NSW government’s actions.

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