GMHBA LIMITED

23 January 2013

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Committee Secretary,

We write to record our opposition to the Private Health Insurance Amendment (Lifetime Health Cover Loading and other measures) Bill 2012. This proposal to strip the Australian Government Private Health Insurance rebate from members who have a Private Health Insurance Lifetime Health Cover loading raises serious concern to our fund and its members.

GMHBA is a not-for-profit regional health insurer based in Geelong, Victoria . We believe that our primary role is to protect the health and wellbeing of our members and their communities. We contribute directly through employment to the economic sustainability and social capital of rural and regional Australia, insuring over 220,000 lives. We are the 4th largest fund in Victoria and the 9th largest in Australia.

This letter aims to provide your committee with insights into the likely impacts of this reform.

Whilst the intention of this Bill is to ensure that all recipients of the income tested rebate receive a comparable benefit relative to their premium cost, taking the rebate away from those with a Lifetime Health Cover loading is in fact highly discriminatory to lower income earners who have taken responsibility for their own health by insuring themselves privately.

According to Private Healthcare Australia - the Australian Taxation Office & Australian Bureau of Statistics, 3.4 million people with private health insurance live in households with incomes less than $35,000 per annum. A staggering 5.6 million people with private health insurance live in households with gross annual incomes below $50,000.

For GMHBA, the removal of the rebate on the Lifetime Health Cover loading component of Private Health Insurance premiums will result in a further 1% to 18% (average of 10.6%) price increase from the 1 July 2013 for those with Lifetime Health Cover loadings. This will impact approximately 17.9% of GMHBA memberships (approximately 40,000 individuals). In simple terms the removal of the rebate means a 42% increase in the loading for these members. Considering this data is from our fund alone, we can safely assume that Australians who are privately insured through other funds will be similarly impacted in July 2013 and therefore forced to question the affordability of ongoing membership.

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There are many reasons why this change is simply bad policy, this includes:

- It places greater pressure on the public health system – as the cost of private health insurance increases as a result of this policy, it will become less affordable and consumers are more likely to drop or reduce cover. This does not affect their need for health services. This gap will have to be met by the public system which is already under significant stress.
- It is discriminatory to lower income earners - all members with a Lifetime Health Cover loading are equally impacted by this change irrespective of their income levels. It is in fact highly regressive having the greatest percentage effect on the lowest income families.
- It is against the interests of consumers – as affordability is diminished, consumers and insurers will look for product solutions that provide less comprehensive cover. When health services are later needed consumers are left with greater out of pocket costs or they must increasingly rely on an already stretched public health system.
- It is anti-competitive and will make the industry less attractive to new participants to the potential detriment of consumers.

This Bill cannot be viewed in isolation of the changes that have already been made to income test the rebate or those proposed in the MYEFO to link the rebate to CPI.

We are also yet to fully understand the impact of the introduction of income testing the rebate effective 1 July, 2012. These impacts have been delayed for many people who have prepaid their premiums. GMHBA experienced a 478% increase in the number of members who prepaid their annual premiums at 30 June 2012 compared to the previous year. When these members come off prepayment at 1 July this year - and if for example they have lost their full 30% rebate, their premium could suddenly rise a massive 48%.

Through meeting their taxation obligations and also privately funding the majority of their health care costs, people with Private Health Insurance are making a positive contribution to the public health system for the benefit of all Australians. Private Health Insurance pays for serious procedures which otherwise would need to be done in the public system:

- 80% of all same day mental health treatment
- 60% of all cancer therapy (Chemo)
- 55% of all major procedures for malignant breast conditions.

Between June 2011 and September 2012, at GMHBA we have seen a 33% increase in public hospital episodes versus an 11% increase in private hospital episodes which we anticipate will increase further if the cost of private health insurance increases due to the proposed Government rebate changes.

We believe the true impacts of this Lifetime Health Cover loading change have not yet been modelled by the Government and cannot be modelled in isolation of the potential impacts of other changes already made and proposed. That is, the cumulative impacts on affordability must be considered.

Arguments that the past policy changes have had no adverse impacts based on the fact that participation in private health insurance has continued to grow are flawed. The significant prepayment at June 2012 and the nature of the taxation return cycle means that neither we nor the Government yet know the impact. To make these current proposed changes on top of this uncertainty is fraught with risk.

Whilst the Government claims that the removal of the rebate on the Lifetime Health Cover loading will result in savings to the Government of $386.3 million over four years, we believe that over time the cost to the public health systems from past and proposed changes will be much more as we see a shift to public over private due to a lack of support through a fair rebate.

In the interests of our members and their communities, we strongly oppose this policy change and are significantly concerned that people with a Lifetime Health Cover loading are ignorant of the proposed change. Whilst the Government has made no attempt to educate or inform these people, GMHBA intends to inform its affected members.

Please do not hesitate to contact me should you or your office wish to discuss any of the matters raised herein.

Yours sincerely,

Mark Valena
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