Private Healthcare Australia
Better Cover. Better Access. Better Care.

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Hon Dr Michael Armitage
CHIEF EXECUTIVE OFFICER

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

Email: community.affairs.sen@aph.gov.au

Re: Inquiry into the *Private Health Insurance Amendment (Lifetime Health Cover Loading and Other Measures) Bill 2012*

Dear Dr Holland

Thank you for the opportunity for Private Healthcare Australia to make this submission to the Senate Community Affairs Legislation Committee Inquiry into the *Private Health Insurance Amendment (Lifetime Health Cover Loading and Other Measures) Bill 2012*.

Private Healthcare Australia represents 24 private health funds, which collectively insure approximately 95 per cent of the 12.4 million Australians who hold some form of private health cover.

Private Healthcare Australia opposes this legislation. Private Healthcare Australia does so on behalf of the almost 1.1 million Australians who will be directly, and negatively, impacted by this proposed policy; and on behalf of all Australians who will face greater pressure in accessing public health services as a result of this legislation.

As at 30 September 2012, around one in seven Australians with private hospital cover were subjected to a Lifetime Health Cover loading. If this legislation is enacted, some consumers will be confronted by an increase in their premium of up to 27.5% on 1 July 2013 (separate, and in addition to, the annual premium adjustment on 1 April each year, which was an average of 5.06% in 2012).

This significant increase in premiums will inevitably result in many people choosing either to downgrade or terminate their cover, thereby relying more on the public hospital system for their health care needs.

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Private Healthcare Australia is concerned that this legislation will add further complexity to the private health insurance policy settings given the policy uncertainties of recent years. In the last five years, funds have operated under significant policy changes related to the Medicare Levy Surcharge structure and more recently the means-testing of the Private Health Insurance Rebate.

The means-testing of the rebate in 2012 has now created 12 different pricing structures to premiums, where previously there were three rebate levels (30, 35 or 40%) based simply on a consumer's age. The proposed changes to the indexation of the rebate, to be introduced from 2014, will create additional burdens on ALL people with private health cover, particularly those on lower-incomes.

Within this uncertain policy environment, Private Healthcare Australia opposes this legislation owing to the:

- added complexity this measure will create for consumers, in addition to the means-testing of the rebate last year, and the proposed changes to the indexation of the rebate in 2014;
- added financial pressure this measure will impose on those 1.1 million Australians who currently hold private hospital cover with a Lifetime Health Cover loading. In some instances consumers may be paying around $500 a year more for their private health insurance;
- additional administrative burden this policy will add to the operations of private funds, who will be required to make considerable system enhancements before 1 July to cater for this change, with inherent cost implications which are inevitably reflected in future premium increases; and
- disincentive this policy may create. This measure may well discourage low income earners who couldn't afford health cover earlier in their life from taking out private health cover after the age of 30; and
- additional burden this policy will inevitably place on our public hospital system, as people drop or downgrade their cover, or fail to join a private health fund after the age of 30, when they once would have done so.

In conclusion, this is an example of health policy which disadvantages those Australians who take responsibility for their own health care needs by holding private health insurance. This legislation will make private health insurance less affordable, further restricting peoples' access to health care services, while increasing public hospital waiting lists.

Yours sincerely

HON DR MICHAEL ARMITAGE
CHIEF EXECUTIVE OFFICER

25 January 2013