

Increase and maintain the value of the Private Health Insurance Rebate for people on lower incomes.

Overview

- Older people on lower incomes are struggling to meet rising living costs in fundamental areas of expenditure, such as groceries, energy and health care.²⁰
- Our research with older people shows many stretch to their financial limits to hold on to Private Health Insurance (PHI). They largely do this to avoid public hospital waiting lists for procedures commonly required by older people and so they can choose their own doctors.²¹
- However, relinquishing PHI is one of the few ways available to some older people to reduce expenditure and manage financially in later life.
- The indexation freeze on rebate income thresholds and the ongoing reduction in the rebate amount via the Rebate Adjustment Factor over the past ten years has eroded the level of government financial support for people on lower incomes to maintain PHI.

WHAT ARE WE CALLING FOR?

- Increase the PHI Rebate for people on lower incomes, including older people, to ensure those most likely to vacate PHI are maintained within the system and to boost membership among those most likely to take it up.
- Ensure the formulas used to calculate the rebate amount for people on lower incomes, supports maintenance of PHI cover into the future.

Why is the policy needed?

- Research shows the PHI Rebate for seniors provides the greatest value for money among all groups, as average claim costs of treatment for seniors materially exceed the rebate. It would be more expensive for the government to provide treatment to this group of people if they moved out of the private health system into the public health system.²²
- People on lower incomes have the most marginal attachment among seniors to PHI due to cost pressures and capacity to pay.
- It makes financial sense for the government to support this group to maintain PHI and the most direct way to do this is to increase the rebate available.
- The government supports and enables the continuation of a mixed public/private health system and a community rating system in PHI. Therefore, it is crucial for the viability of the private health system that younger people are also supported to take up PHI.
- Increasing and maintaining the value of the rebate for all lower-income, privately insured people is an investment in the current system.
- This will support access to PHI and the private hospital system for individuals across the life course and at each life stage.

Budget Impact

- The budget impact of increasing and indexing PHI Rebates for people on lower incomes will depend on the PHI Rebate available to specific income groups.
- Expert modelling and advice should be sought to calibrate the PHI Rebate amount for lower-income groups to:
 - maximise the positive impact on those under the most intense cost-of-living pressure;
 - maximise the return on investment for government; and
 - reduce the cost to the public health system.

