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Media release

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Health Rebate Under Fire

Health Dollars Spent on Face Lifts and the Gym

The Howard Government's controversial 30 per cent rebate for private health insurance subsidises cosmetic surgery for the wealthy and gym club fees for yuppies at major cost to the public hospital system, an Australia Institute study has found.

The study, *How Fair Is Health Spending*?, by research fellow Julie Smith was released today by the Institute Director Dr Clive Hamilton.

Dr Hamilton said the study is an update of previous Institute work exposing the inequity of the rebate. It analyses the effect of the concessions introduced by the Howard Government in 1999 to encourage Australians to take out private health insurance.

"We have examined new Taxation Office data and found a substantial worsening of the inequity," he said. "Private health insurance incentives are expected to cost Australian taxpayers $3 billion a year within eighteen months and the main beneficiaries remain the nation's highest income earners.

"The system is now manifestly inequitable and, worse, it has failed to achieve its purpose of redressing the problems of rising public health costs and the declining role of private health funds."

The study found that the new private health insurance concessions had failed spectacularly to reduce public sector health spending or increase membership of private health funds, and had contributed to a burgeoning Federal Government health care bill, now exceeding 48 per cent of Australia's health care costs.

In addition, half of the present open-ended subsidy for private health insurance goes to the top 20 per cent of taxpayers and nearly three-quarters goes to the top 40 per cent.

The study found the 30 per cent rebate, introduced to replace the 1997 income-tested rebate, has proven very expensive.

"The cost to the budget of private health insurance was around $1.6 billion in 1999-2000, and will rise to $2.3 billion in 2001-2002 following the large jump in health insurance coverage from mid-2000," it said. "The sharp increase in coverage was not due to cash incentives for fund membership. The increase resulted from deregulation of health funds and the introduction of life-time health cover rules."

The study recommends removing health insurance cover for ancillaries from the 30 per cent rebate, replacing the present open-ended rebate with a fixed rebate and making payments under the 30 per cent rebate taxable.

"These reforms would make existing cash incentives and rebates for private health insurance less costly, less inequitable and more likely to substitute for public funding of hospital care," the study concluded.