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News release

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Young people desert health funds

Figures released by the Federal Government today show that young people continue their exodus from private health insurance, with 11,952 more people aged under 40 dropping their private hospital insurance in the December quarter.

This brings the number of people aged under 40 dropping out of private health insurance since September 2000 to almost 200,000 or 12% of those under 40 who were drafted into taking out insurance by the Lifetime Health Cover rules in the middle of 2000.

“Despite penalties for those over 30 who postpone taking take out private health insurance, young people are doing their sums and deciding it’s not worth it. They are leaving in droves as premiums rise”, said Dr Clive Hamilton, Executive Director of The Australia Institute.

“And we can expect the picture for private health insurers to become more grim with the decision by the Federal Government to insist that the funds wind back ‘ancillaries’ such as golf clubs, sports shoes and gym memberships. With these marketing tricks gone, even fewer young people will hang on to their private health insurance.”

In an attempt by the Government to contain the bad publicity surrounding its 30 per cent private health insurance rebate, the health funds this week agreed to restricting the kind of ancillary benefits used to entice people into taking out private health insurance.

The Government introduced the Lifetime Health Cover rules in 2000 to increase the number of young people with private health insurance. Health funds need young people to take out health insurance to offset the high cost of older members who make more, and larger claims.

But the latest figures show that the over-55s provide the largest growth of new members of health funds.

“The Government’s attempts to privatise the health system are in a mess. The same old trends are beginning to emerge with premiums rising, coverage shrinking and young healthy people quitting the system.”

“The Government currently subsidises the private health insurance industry to the tune of \$2.3 billion each year through the 30% rebate. If these funds were invested in the public health system, waiting lists could be eliminated and all Australians would enjoy better health care”, said Dr Hamilton.