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Media release

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Health insurance trick for over-65s

The Federal Government's higher health insurance rebate for older Australians will do little to offset the 70% extra charge they face due to the Government's Lifetime Health Cover rules, according to the Canberra-based public-interest think tank The Australia Institute.

"Sixty-five year olds who respond to the higher rebate by taking out private health insurance will pay 35% *more* than they would have before the changes in health insurance introduced in 2000," said Institute Executive Director Dr Clive Hamilton.

Under Lifetime Health Cover, those over 30 who do not have private health insurance must pay premiums 2% higher for every year they are over 30, with a maximum loading of 70% payable by people who first take out hospital cover at age 65 or older.

Even without accounting for increasing premiums in recent years, a 65-year old will pay more for a private health insurance policy than in 1999 before the changes.

"The health funds are hemorrhaging as young healthy people leave in droves, driving premiums up to cover the costs of insuring older, less healthy people. The announcement of this small discount will do nothing to change the fact that even after spending billions of dollars subsidizing the industry, private health insurance is unaffordable for low income Australians and makes little sense for most younger people."

According to official Government statistics released last week, more than 173,000 people aged under 40 have abandoned their private health insurance in the last two years, with over 36,000 people under 40 leaving in the most recent quarter.

"The Government's approach to private health insurance has failed on its own terms. It has failed to keep young people in health insurance and it has failed to lower premiums," said Dr Hamilton.

"The irony is that even if this latest handout were to encourage more older Australians to take out private health insurance, the effect would be to drive up health insurance premiums for everyone as older customers cost insurers more than younger customers. The Government will be hoping the higher rebate has no incentive effect," concluded Dr Hamilton.