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News release

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Abolish Health Insurance Rebate – Institute

The health care spending of Australia's richest people is being subsidised by over a billion dollars of public money annually because of the perverse effects of the Howard Government's private health insurance rebate scheme according to a new study.

The study of tax expenditure and public health financing by Australia Institute tax specialist Julie Smith was released today by Institute Director Clive Hamilton.

Dr Hamilton said it was the first analysis of its kind on the distribution of tax expenditure on health-related spending.

Ms Smith found:

- around a half of the value of the tax rebate for private health insurance went to the most well off third of taxpayers; and
- less than a fifth of these concessions go to the one-third of individuals with the lowest taxable incomes.

“Even this ignores the \$1.1 billion tax concession in the form of exemption from the Medicare levy surcharge for the privately insured, which has been left out of the usual official estimates of such tax concessions”, she said.

“The private health insurance industry receives more budgetary assistance than is provided to mining, manufacturing and primary agricultural production combined.”

“But where is the corresponding improvement in public health?”

“In recent years even public health programs like the Commonwealth Dental Scheme have been abolished to save \$100 million while other public health programs are scratching for funds.”

Ms Smith said the practical effect of the tax concessions for private health insurance was that the wealthiest third of Australia's income earners were being subsidised to jump hospital queues, obtain dental services and cosmetic surgery and pay for their gym club membership while public programs are short-changed.

Her study concludes that the private health insurance rebate scheme should be abolished, particularly for ancillary insurance, and that the Medicare surcharge exemption for the privately insured should be removed.

“Abolition of the rebate scheme would release at least \$2 billion of additional funding for improving access to medically necessary hospital services and public dental and allied health programs”, she said.

“Removing the Medicare surcharge exemption for those with private insurance would provide a further \$1.1 billion, and would make tax financing through Medicare more progressive.”

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Tax Expenditures and Public Health Financing in Australia can be read on the Institute web site at www.tai.org.au.

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