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News release

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Hidden government subsidies to private health funds exposed

Government statistics are hiding the true amount of assistance to the private health insurance funds, according to a study released today by the Australia Institute.

The study of the Medicare levy surcharge arrangements by Australia Institute tax specialist Julie Smith exposes for the first time the true extent of assistance to private health funds through the tax system.

Ms Smith found that the annual *Tax Expenditures Statement* (TES) published by Treasury understates tax assistance to the funds because it counts the Medicare levy surcharge arrangements which give concessions to privately insured tax payers as a benefit to the public purse rather than as a tax break for private health insurance funds.

“Everyone knows the Medicare levy surcharge and exemption arrangements are a prop for the private health insurance industry, so they should be counted as tax expenditures”, said Ms Smith.

“Yet the Government counts it as a ‘tax penalty’. The exemption means the government has \$750 million less revenue that it would otherwise have, and that should be counted as a tax subsidy. Treasury’s approach is contrary to practice overseas.”

“It is difficult to see why such considerable financial assistance for the health insurance industry should be hidden away in the tax system, when other industries have to face much greater public scrutiny”, said Ms Smith.

“If the Treasury has a genuine commitment to transparency about tax subsidies, it should treat this industry like any others, for example mining, manufacturing or construction, where the revenue loss due to the tax breaks is made public. Treasury’s approach is in conflict with the Charter of Budget Honesty.”

Tax Expenditures and Public Health Financing in Australia can be read on the Institute web site at www.tai.org.au under “What’s New”.

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