

Standing Committee on Community Affairs Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

8 February 2013

Question no: 1

Topic: INQUIRY INTO THE PRIVATE HEALTH INSURANCE AMENDMENT
(LIFETIME HEALTH COVER LOADING AND OTHER MEASURES) BILL 2012

Hansard Page: 17

Senator Fierravanti-Wells asked:

Can you tell me the different types of income brackets that people who pay the Lifetime Health Cover (LHC) loading fall into?

Answer:

Neither the Department of Health and Ageing, the Department of Human Services or Australian Taxation Office collects data on the income brackets of people that have incurred a LHC loading.

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Question no: 2

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Hansard Page: 18

Senator Fierravanti-Wells asked:

What consultation was undertaken, what invitations were issued and who took them up?

Answer:

The Department held discussions with private health insurers on 14 and 21 September 2012 during which this reform option was canvassed. Both Private Healthcare Australia and the Health Insurance Restricted Membership Association of Australia (hirmaa) were represented.

On 16 November 2012, the Department provided a briefing at the Australian Health Service Alliance and hirmaa Members' Information Seminar regarding the private health insurance reforms announced as part of the 2012-13 Mid-Year Economic and Fiscal Outlook.

Representatives from the Department of Human Services, the Australian Taxation Office, private health insurers and hirmaa were invited to attend a consultation session held on 5 December 2012. A representative from the following private health insurers attended:

Organisation
Australian Unity Health Limited
BUPA Australia Pty Limited
CBHS Health Fund Limited
Defence Health Limited
GMHBA Limited
Grand United Corporate Health Limited
HBF Health Limited
Healthguard Health Benefits Fund Limited
Health.com.au Pty Ltd
Medibank Private Limited
Navy Health Limited
NIB Health Funds Limited
Transport Health Pty Limited

In addition to this consultation separate discussions have taken place, at the request of insurers, with representatives from NIB Health Funds Limited, BUPA Australia Pty Limited, Medibank Private Limited, Australian Unity Health Limited, HBF Health Limited and Health.com.au Pty Ltd.

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Question no: 3

Topic: INQUIRY INTO THE PRIVATE HEALTH INSURANCE AMENDMENT
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Hansard Page: 18

The Chair asked:

How did the Department work out the average impact of the financial impact of the Bill on consumers to be approximately \$116 per year?

Answer:

Based on data from the Private Health Insurance Administration Council's *Operations of the Private Health Insurers Annual Report 2010-11*, the average annual cost of a typical private health insurance hospital product for a single was \$1,519. This amount was then indexed by the weighted industry average premium increase in 2011 (5.56%) equaling \$1,603.

Based on quarterly data released by the Private Health Insurance Administration Council for June 2012, the average Lifetime Health Cover loading was 24%.

Based on rebate payments made under the Premium Reduction Scheme and Incentive Payments Scheme the average weighted rebate following the introduction of means testing on 1 July 2012 was 30.05%.

The total cost of the policy, premium plus LHC loading: $\$1,603 + \$384.72 = \$1,987.72$

Rebate payable on entire cost of policy: $\$1,987.72 * 30.05\% = \597.31

Cost to consumer: $\$1,987.72 - \$597.31 = \$1,390.41$

Rebate payable on premium, excluding LHC loading: $\$1,603 * 30.05\% = \481.70

Average financial impact: $\$597.31 - \$481.70 = \$115.61$ (or \$116 with rounding)

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Question no: 4

Topic: INQUIRY INTO THE PRIVATE HEALTH INSURANCE AMENDMENT
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Hansard Page: 19

The Chair asked:

Does the Department have figures of how many people are at each level of the Lifetime Health Cover (LHC) loading?

Answer: Please see below data as at 30 September 2012, on which modelling was based.

LHC Loading	% of people incurring loading	Number of people incurring loading
2%	8.1%	87,718
4%	7.3%	78,726
6%	6.5%	70,409
8%	5.9%	63,640
10%	5.3%	56,666
12%	4.8%	51,577
14%	4.4%	47,236
16%	4.0%	43,571
18%	3.8%	40,416
20%	3.5%	37,434
22%	3.2%	35,007
24%	3.1%	33,514
26%	3.0%	32,479
28%	2.9%	31,769
30%	2.8%	30,281
32%	2.7%	29,415
34%	2.6%	28,353
36%	2.5%	26,820
38%	2.3%	24,867
40%	2.2%	23,197
42%	2.0%	21,162
44%	1.8%	19,871
46%	1.7%	17,811
48%	1.5%	16,484
50%	1.4%	14,734
52%	1.2%	13,339
54%	1.1%	11,810
56%	1.0%	10,624

58%	0.9%	9,262
60%	0.8%	8,308
62%	0.7%	7,530
64%	0.6%	6,647
66%	0.6%	6,075
68%	0.5%	5,717
70%	3.2%	34,903

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Question no: 5

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Hansard Page: 19

Senator Fierravanti-Wells asked:

Does the Department accept figures cited by Private Healthcare Australia which state that 3.4 million people with private health insurance live in households with incomes less than \$35,000 per annum and 5.6 million people with private health insurance live in households with gross annual incomes below \$50,000?

Answer:

The figures cited by Private Healthcare Australia use a combination of Australian Bureau of Statistics and Private Health Insurance Administration Council data. It is misleading to equate this data with annual household income as it counts individual taxpayers who may be either single or part of a family. In the latter case, the total family income may be much larger than either of those amounts.

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Question no: 6

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Hansard Page: 20

The Chair asked:

Does the Department have any comments in relation to the evidence given by previous witnesses, particularly from osteopaths?

Answer:

The Lifetime Health Cover loading is only applied to hospital cover. Benefits for Allied Health Services (such as osteopathy) are covered under general treatment.

In regards to Deloitte's analysis which concluded that there would be a substantial withdrawal from private health insurance as a result of the means testing, data released by the Private Health Insurance Administration Council (PHIAC) for the December 2012 quarter shows that the number of people taking out private health insurance has continued to grow with almost 12.5 million people having some form of private health insurance.

PHIAC data also shows that, since the introduction of means testing on 1 July 2012, over 122,000 additional people are covered by private hospital insurance and over 164,000 additional people are covered by general treatment.