

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2011-2012, 30/31 May 2011

Question: E11-448

OUTCOME 9: Private Health Insurance

Topic: PRIVATE HEALTH

Written Question on Notice

Senator Boyce asked:

Some Australians will choose to drop their private health insurance and move into the public health system. Would the department please provide its analysis of the cost this will have on the public health system -

- a) over one year
- b) over two years
- c) over three years

Answer:

a), b) and c)

Any second round impacts of the proposal, such as the impact on public hospitals, were not modelled in the Budget context, as per the Charter of Budget Honesty.

However, it is estimated that 27,000 people are expected to drop private health insurance hospital cover, leading to approximately 8,500 additional public hospital admissions over two years. When considered against the fact that public hospitals have around 4.7 million admissions per year, the impact of this measure will be insignificant.

In October 2008, the Medicare Levy Surcharge thresholds increased for single people from \$50,000 to \$70,000 per year and from \$100,000 to \$140,000 per year for couples or families.

The second-year independent *Review of the Impact of the new Medicare Levy Surcharge Thresholds on Public Hospitals* report – carried out by KPMG – covered the period to June 2009 for hospital separations and to March 2010 for elective surgery waiting lists. It found no significant impact on public hospital activity, operating costs or elective surgery waiting lists that could be attributed to changes in the thresholds.