

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 3-5 June 2008

**Question: bet 12**

**Topic: Private Health Insurance**

**Hansard Page: Written**

**Senator Cormann asked:**

I refer to evidence provided by Ms Flanagan from the Department of Health and Ageing in the Senate Estimates Committee on Community Affairs on 4 June 2008 in response to a question by Senator Lundy about how many more people are projected to be covered by private health insurance into the future compared to how many have been covered in the past.

Ms Flanagan provided the following evidence:

**Ms Flanagan** – The average growth in private health insurance coverage has been around 200,000 people a year over the last three years. Again, we expect that underlying growth will continue into the future.

My question to Treasury is:

1. Has Treasury included that ‘expectation’ of the Department of Health and Ageing of a continuation of ‘underlying; annual growth of 200,000 people in private health insurance into the future into its modelling?
2. If yes, is that expectation reflected in the budget papers, if yes where?
3. How does the expectation of the Department of Health and Ageing of a continuation of ‘underlying’ annual growth of 200,000 people in private health insurance into the future impact on the Treasury’s overall estimate that 484,000 adults are expected to leave private health insurance as a result of the increase in Medicare Levy Surcharge thresholds?
4. How will the expectation of the Department of Health and Ageing impact on the estimated saving in each year of the forward estimates, ie \$232 million in 2008/09, \$245.6 million in 2010/11 and \$245.6 million in 2011/12?

**Answer:**

1. The financial impact of premium growth on the forward estimates for the private health insurance rebate is currently allocated to the Contingency Reserve and incorporates the effects of underlying growth in private health insurance coverage and premiums. The private health insurance rebate component of the Contingency Reserve is not published due to the commercially sensitive nature of the information.

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 3-5 June 2008

2. See answer to Question 1.
3. The modelling used the best available data and assumptions, which comprised a combination of data from the Treasury personal taxation model, Australian Bureau of Statistics National Health Survey 2004-05, and Ipsos Health Care and Insurance Australia 2007. The estimate of 484,000 adults represents a one-off impact on existing private health insurance policy holders.
4. See answer to Question 1.