

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 3-5 June 2008

**Question: bet 32**

**Topic: Private Health Insurance – Policy Holders**

**Hansard Page: E58**

**Senator Cormann asked:**

**Senator CORMANN**—So far, so good. In your modelling, out of the 149,000 couples, how many couples have you estimated to be older than 65 years of age?

**Mr Ray**—Off the top of our heads, we do not know. We are willing to take it on notice.

**Senator CORMANN**—This is just incredible! How many of those couples are in fact on a family policy?

**Mr Ray**—Again, we do not have that sort of detail with us. We will take it on notice.

**Senator CORMANN**—Can you tell me how many children that you expect, through your modelling, will no longer be covered by private health insurance, based on your assumption as a result of the increase in the Medicare levy surcharge?

**Mr Ray**—I think that is effectively the sort of question that we just said we would take on notice.

**Senator CORMANN**—You are saying it is the same question?

**Mr Ray**—Yes.

...

**Senator CORMANN**—How many children are part of that? How many children in a couple?

**Mr Ray**—I just said I would take that on notice.

**Senator CORMANN**—I refer you to the PHIAC data on persons covered by private health insurance. Data up till 31 December 2007 is available. If you look at the correlation between single equivalent units, which is taxpayers, and persons covered—and you make an adjustment for people over 65—you will find the correlation is a ratio of 1.48. I am very happy for you to check that out. Applying it across the 484,000 taxpayers, you will find that it is a figure of more than 700,000 people that you, according to your assumptions, are expecting to leave private health insurance. I note you have just confirmed that the figure of 484,000 people, which has been circulating in the media, is not actually 484,000 people; it is 186,000 singles and 149,000 couples, not making any allowance whatsoever for children. Now that we have established that, I look forward to your answers on notice in relation to it.

**Answer:**

The factor of 1.48 applied to the Single Equivalent Units estimate of 484,000 to account for the number of dependants assumes that the characteristics of those dropping private health insurance are representative of the insured population. This is not the case and leads to an over estimate of the number of dependants, since the threshold increase affects a greater number of singles than couples and families.

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Assuming the share of families to couples is broadly consistent with the wider insured population, we estimate that this factor is closer to 1.33 for the relevant group. This factor implies that there would be around 160,000 dependent children associated with families estimated to drop their health insurance.