

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 3-5 June 2008

Question: bet 99

Topic: Medicare Levy Surcharge - Premiums

Hansard Page: E110

Senator Coonan asked:

Senator COONAN—Taking specifically the change in the Medicare levy surcharge, can you confirm that the industry estimates that premiums will rise by around 10 per cent? How much of this is reflected in the government estimate?

Dr Henry—I am sorry, I cannot confirm industry estimates.

Senator COONAN—Does anyone know the answer to that?

Senator Conroy—Sorry.

Senator COONAN—Let me rephrase it: does the government have an estimate or does Treasury have an estimate as to the extent to which premiums will rise by reason of the changes in the Medicare Levy surcharge?

Dr Henry—If we do—and I really do not know—it would not have been an estimate produced by the people at the table. I am sorry, but I will need to take that question on notice.

Senator COONAN—What percentage of the CPI is private health insurance?

Dr Henry—I do not know. We will have to take that on notice.

Senator COONAN—Can you also take on notice the extent to which this measure will directly increase the CPI—that is, by what percentage?

Dr Henry—Certainly, we can take that on notice.

Answer:

Appendix 2 of the 2005 ABS guide to the Consumer Price Index includes medical insurance within the 'Hospital and Medical Services' subgroup. Appendix 1 of this same document estimates that the 'Hospital and Medical Services' subgroup comprises 2.77 per cent of the overall CPI effect (compared to around 15 per cent for food and almost 20 per cent for housing).

No estimates have been made of the second round effects of the Medicare levy surcharge threshold changes on premiums charged by private health insurers, as the effect of these changes is highly uncertain and future premium increases are subject to the approval of the Minister for Health and Ageing. Therefore, no estimates have been made of the effect of the Medicare levy surcharge threshold changes on the CPI.

For reasons of market sensitivity, the financial impact of underlying growth in private health insurance premiums on the forward estimates is currently allocated to the Contingency Reserve. The savings from this measure related to projected underlying premium growth have also been allocated to the Contingency Reserve.