

Chapter 1

Introduction

Background

1.1 The Tax Laws Amendment (Medicare Levy Surcharge Thresholds) Bill 2008 was introduced into the Senate on 2008. On 18 June 2008 the Senate referred the Bill to the Senate Standing Committee on Economics for inquiry and report by 26 August 2008.

1.2 The bill increases the Medicare levy surcharge threshold for individuals from \$50 000 to \$100 000 and for couples from \$100 000 to \$150 000. The increased thresholds will apply from the 2008–09 year of income and later years of income. The inquiry was asked to examine:

- (a) the impact of changes to the thresholds on the number of Australians with private health insurance (PHI), including an examination of how many will abandon their policies as a result and how many will not take up PHI in the future;
- (b) the modelling underpinning the decision and the veracity of that modelling;
- (c) the anticipated impact on PHI premiums and PHI products offered;
- (d) the impact of the change on the cost of living and the consumer price index;
- (e) including the threshold, PHI rebate and lifetime health cover on increasing PHI membership;
- (f) the anticipated impact of changes to the threshold on:
 - (i) the public hospital system including waiting lists and the financial requirements of state governments;
 - (ii) the ongoing viability of PHI, and
 - (iii) private hospitals.

Conduct of the inquiry

1.3 The committee advertised the inquiry in the *Australian* newspaper and on the committee's website, inviting written submissions by Monday 7 July 2008. It received 22 submissions from various organisations including the Treasury, private health funds and peak private health organisations, health insurance consultancies and brokers, consumer groups and private citizens. Appendix 1 lists these submissions: they are also available on the committee's website at:

http://www.aph.gov.au/Senate/committee/economics_ctte/tlab_medicare/index.htm.

1.4 The committee held six public hearings: in Perth on 15 July, Brisbane on 17 July, Adelaide on 22 July, Sydney on 31 July, Melbourne on 6 August and Canberra on 12 August. A list of the witnesses who appeared at these hearings is at Appendix 2. The committee did not receive any submissions from organisations or citizens from Tasmania or the Northern Territory. Accordingly, the committee did not hold public hearings in either Hobart or Darwin.

1.5 The committee thanks all those who contributed to the inquiry.

Structure of the report

1.6 Chapter 2 gives an overview of the bill and some detail on the Medicare levy surcharge. Chapter 3 outlines the views that have shaped the debate during the inquiry. Chapter 4 examines the findings of Treasury and various consultancies as to the likely effect of the bill on the Commonwealth's coffers and membership of private health funds. Chapter 5 discusses the main areas of contention in the bill. It canvasses submitters' opinions on various issues.