

Chapter 3

Views on the bill

3.1 The committee gathered a range of views on the bill.

3.2 The first is the government's position.¹ The Treasurer argues that Medicare Levy Surcharge (MLS) threshold levels have not changed for a decade and should be increased to restore the proportion of the population who are liable for the surcharge to 1997 levels. An increasing number of average income earners are now falling into this 'tax trap'. In 1997 just 8 per cent of taxpayers incurred the surcharge. This has risen to about 36 per cent of single taxpayers in 2008–09 and up to 45 per cent of single taxpayers by 2011–12.²

3.3 This measure will give taxpayers without PHI on typical incomes between \$50 000–\$100 000 per annum some tax relief. This relief is already given to those with PHI. At the same time the government continues to provide financial incentives to encourage people into private health insurance. Moreover, the government has publicly stated its support for a mixed model of public and private health insurance and the use of a variety of measures to ensure the continuing viability of the public and private health sectors.³

3.4 A second view is that of the private health funds (both profit⁴ and not-for-profit⁵), private hospitals⁶ and private health insurance organisations.⁷ They oppose the bill on the grounds that young and healthy fund members who are no longer liable for the MLS will drop their membership, causing premiums to rise, leading to further fallout from the funds and subsequent premium increases. The private health insurance industry expresses concern that these changes will not only affect their

1 The Hon. Wayne Swan, 'Increasing the Medicare levy thresholds', *Media Release*, 13 May 2008.

2 Mr Marty Robinson, *Proof Committee Hansard*, 31 July 2008, p. 21.

3 See Mr McCullough, *Proof Committee Hansard*, 31 July 2008, p. 16.

4 The committee took evidence from HBF, HIF, BUPA Australia (MBF), NIB Health Funds Limited, Manchester Unity, Health Partners, iSelect and the Private Health Insurance Intermediaries Association.

5 The committee took evidence from the Health Insurance Restricted Membership Association of Australia and the Queensland Teachers' Union Health Fund.

6 The committee took evidence from St Andrew's Hospital in Adelaide, St John of God Health Care in Perth and Catholic Health Australia in Sydney.

7 The committee took evidence from the Australian Private Hospitals Association, Health Link Consultants, Australian Health Insurance Association, Australian Medical Association National, Western Australian and South Australian branches), *Consulting 1805* and John Small Health Advisory.

profitability, but they claim it will further lengthen public hospital waiting queues. Their argument is pitched in terms of the bill's threat to the delicate 'balance' between public and private provision of health care services and health insurance in Australia. In terms of the bill's principal policy objective, they argue that there are alternate ways to give tax relief than increasing the surcharge thresholds.

3.5 A further group recommend taxpayers' money to be directed to the public health system, and away from the private health funds.⁸ They argue that the bill is a welcome policy initiative to encourage a more efficient allocation of resources to the public health system. The committee heard from several witnesses that the federal government should not be subsidising the private health insurance industry, but should redirect its funding to the areas of highest need in the public hospital system. Some witnesses even argued that the bill did not go far enough in increasing the MLS thresholds.⁹

3.6 The following two chapters examine these perspectives on two levels. Chapter 4 examines the evidence from various studies estimating the impact of the proposed higher MLS thresholds on private health insurance coverage, PHI premiums and the public hospital system. Chapter 5 outlines the qualitative arguments sketched above based on the insights of submitters and witnesses. Chapter 5 thereby gives context and perspective to the estimates presented in Chapter 4.

8 The committee took evidence from Associate Professor Louise Savage, Professor Christian Gericke, Professor Leonie Segal, Mr Ian McAuley and Dr Tim Woodruff.

9 For example, Mr Ian McAuley, *Submission 10*, p. 6.