

7 July 2008

Mr John Hawkins
Committee Secretary
Senate Economics Committee
Parliament House
CANBERRA ACT 2600

Dear Mr Hawkins

**Inquiry into Tax Laws Amendment
(Medicare Levy Surcharge Thresholds) Bill 2008**

Please find attached nib's advice to the Australian Security Exchange (ASX) in respect of this matter. The ASX release captures and explains our assessment on the likely impact of the proposed change.

I would like to however, give emphasis here to the following:

1. There is, in our view, some logic to indexing the surcharge threshold given it has been unchanged since FY 97. The proposed increases are however excessive and dramatically blunt the MLS policy as an instrument for encouraging private health insurance (PHI) participation, even relative to FY 97. According to the Australian Health Insurance Association (AHIA), under the proposed change, only 2.7% of the taxpayers would be captured compared to 3.8% in FY 97.
2. The proposed increase in the threshold will no doubt result in an exodus of younger policyholders from PHI. The only doubt is about how many. For FY 09 we estimate we will lose approximately 25,000 policyholders (7% of our base) above and beyond what we would normally expect. Details of our estimate are shown in our ASX release.
3. This exodus will leave insurance pools with a higher average claims and operational cost base. This must inevitably have the effect of increasing, pressure on premiums. You will see from our ASX release, that we estimate the impact for FY 09 will be inflationary between 0.5 -1.5%, mainly as a consequence of having less younger people to subsidise the older. This can be expected to have the same level of impact on applications for future premium increases.
4. The proposal has seriously affected investor confidence in the private healthcare sector. The investment community is now regarding the sector as laden with sovereign risk and facing a hostile new Government. The consequences can only be less investment in private sector services and infrastructure such as additional hospital beds. Of course this will only place further pressure on the public health system which is already under extreme stress.

There should be no doubt that moving the threshold to the income levels proposed in the Bill will reduce PHI participation and with the attrition of younger people, lead to higher premiums than would otherwise be the case. We strongly recommend to the Senate Committee that the Bill be amended to reflect a proper indexation of the threshold since FY 97. We believe this would remain true to the Government's "fairness" objective. We do believe it "fair" that a single person on \$99k pa be encouraged to take greater responsibility for their healthcare by having PHI.

I would of course be happy to provide the Committee with any other information of evidence they may require.

Yours faithfully



Mark Fitzgibbon
Chief Executive Officer/
Managing Director