



Mr John Hawkins
Committee Secretary
Senate Economics Committee
Department of the Senate
Parliament House
Canberra ACT 2600

Dear Mr Hawkins

I welcome the opportunity to provide comment on the Senate Economics Committee Inquiry into the *Tax Laws Amendment (Medicare Levy Surcharge Thresholds) Bill 2008*.

By way of background, National Seniors operates for the social and economic benefit of its 280,000 members and has a strong track record in representing the interests of seniors aged 50 and over across Australia in a broad range of community, business and government forums. National Seniors' members are from a breadth of backgrounds including those that are still in full or partial employment, pensioners and self-funded retirees.

National Seniors would like to outline the concerns of our members regarding the proposed changes to the Medicare Levy Surcharge threshold, in particular, the expected pressure it will place on Private Health Insurance premiums and the flow-on effect it may have, placing increased pressure on the public hospital system.

National Seniors believes the proposed changes to the Medicare Levy Surcharge thresholds, specifically designed to benefit younger Australians, have been developed without any regard to the affect they will have on older Australians. Latest ABS figures (2006) show there is a significant proportion of older Australians who have private health insurance and would therefore be adversely affected by this Bill. Approximately 60 per cent of 55-64 year olds; 52 per cent of 65-74 year olds; and 41 per cent of the 75+ age group have private health insurance.

The anticipated impact on Private Health Insurance premiums and Private Health Insurance products offered.

Recent evidence raises concern that the proposed changes to the Medicare Levy Surcharge thresholds announced as part of the Australian Government's 2008-09 Budget will lead to the departure of an estimated 485,000 (Treasury) to 913,000 (Australian Health Insurance Association) individuals from private health insurance.

Although the modelling on which these figures has been determined is debateable (as Treasury figures do not include dependents), it is evident that the reduction of at least 485,000 individuals with private health insurance will have a significant impact on Private Health Insurance premiums with an expected 5% (Treasury) - 10% rise over the next 12 months alone (Access Economics; Australian Health Insurance Association; Catholic Health Australia).

As a result of this measure younger Australians are expected to drop their private health insurance; individuals who are generally self-assessed healthier members, leaving higher risk individuals with the burden of increased premiums. As the Private Health Insurance Intermediaries Association Inc highlights, 'once price increases, members will discontinue and a spiral of diminishing membership, anti-selection, and further price increases will occur.' The proposed changes are also expected to reduce the number of new entrants to private health insurance which will further add weight to claims that premiums will increase.

As you may be aware, National Seniors has for some time been raising concerns with respect to cost of living pressures on older Australians, particularly those on low fixed incomes such as age pensioners and self-funded retirees who are struggling with increases in gas, rates, electricity, water, food and petrol. These individuals can ill afford to meet the expected premium increases and National Seniors believes these multiple pressures on older Australians should be considered in light of the proposed changes.

Although it may be commonly thought that private health insurance is held by high-income earners, the Australian Health Insurance Association states that 27% of the overall hospital insured population (2.34 million people) reside in households where gross annual incomes are less than \$48,049.

National Seniors is concerned that as more and more individuals begin to drop their private insurance, it will be older Australians on fixed incomes who will be most affected by the increases to premiums. The Australian Government Department of Health and Ageing's *2008 State of Our Public Hospitals Report* shows that the majority of hip (55%) and knee (63%) replacements are carried out in private hospitals. Older Australians rely on their private health insurance to enable them to have these types of surgery with 'hospital only' cover most common among older age groups (24% in 65-74 age group; and 40% in the 75+ age group) (ABS). If premiums increase over the coming years, older Australians may be forced to seek treatment in the public hospital system causing greater pressure on an already stressed system. It is inevitable that this will cause lengthy delays in treatment and based on experience lead to many putting off treatment altogether, the consequence of this will inevitably be reduced capacity and independence and further pressure on the health and aged care system.

The anticipated impact of changes to the threshold on: the public hospital system including waiting lists and the financial requirements of state governments; the ongoing viability of Private Health Insurance, and private hospitals.

The *2008 State of Our Public Hospitals Report* highlights the current pressure on the public hospital system, with 87,000 patients waiting an excessive time for their surgery. Lengthy public hospital waiting lists are already resulting in reduced health care provision and the proposed changes will lead to individuals waiting longer to receive care. This will have adverse effects on older Australians who for example will be forced to wait for hip and knee replacement surgery. As outlined by Catholic Health Australia, procedures such as hip and knee replacements enable older Australians to maintain their independence and mobility and enable them to participate in work and community life, carrying out important roles which include caring and volunteering. Indeed the capacity for productive ageing which is a benefit to the community in economic and social terms, will be adversely impacted by reduced access to health services. This will be to the detriment of the community.

Recommendations:

The Australian Government should carry out more thorough modelling to determine the breadth of the affect this policy will have on private health insurance premiums, the public hospital system and older Australians in particular.

The Australian Government should recognise the likely adverse financial impact on older Australians of the proposed changes and develop mechanisms to provide financial assistance to low-income individuals to cover the costs of inevitable premium increases.

I would be happy to expand on our concerns and recommendations at the public hearing scheduled in Canberra for 30 July 2008.

Yours sincerely



Michael O'Neill
Chief Executive Officer
18 July 2008