



# Media Release

## Senator Mathias Cormann

### *Liberal Senator for Western Australia*

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#### **\$2.7 BILLION LESS FUNDING FOR HOSPITAL TREATMENT AS A RESULT OF MEDICARE SURCHARGE CHANGE**

A Senate Estimates hearing has been told that Australia's health system is set to take a \$2.7 billion hit from the Rudd Government's change to the Medicare levy surcharge.

Under questioning from WA Liberal Senator Mathias Cormann, Treasury department officials confirmed that;

- the Federal government's modelling understated the impact on public hospitals of the policy change by failing to take into account children and dependents of members expected to desert private health insurance.
- Treasury was not asked to consider the impact on state public hospitals from the resulting increases in demand for public hospital services.
- the Commonwealth expects to save \$300million overall from the change but has not consulted the States and Territories about the impact on them.

Senator Cormann said that industry estimates that more than 700,000 people will leave private health insurance as a result of this change clearly were more accurate than the Treasury's own estimates.

"By its own admission Treasury did not include either children or dependents in its '484,000 people' estimate.

"The government according to the budget papers expects to save nearly \$960million over the forward estimates as a result of not having to pay the 30% rebate to those leaving health insurance.

"So based on the government's own figures, this means that the total amount that will be lost to the health system is actually \$3.2billion," Senator Cormann said. (ie \$960million is 30% of \$3.2Billion)

"Making allowances for the cost of health fund administration and net margins that still leaves more than \$2.7 billion that will no longer be available to fund hospital treatment for people that are currently privately insured - in both private and public hospitals.

"This is a major cost shift from the Commonwealth and the privately insured to the States and Territories. You simply can't take \$2.7 billion out of the health system and think there will be no impact on public hospitals."

"There is a tsunami of additional demand about to hit public hospitals across Australia as a result of this change, and no meaningful allowance has been made by the Federal Government to cater for that impact.

"Treasury conceded today that they did not even conduct any modelling on the impact on public hospitals, as it was 'not normal practice' to assess 'secondary impacts' of federal budget measures.

"So much for the commitment before the election to pursue 'a new cooperative federalism on health'," Senator Cormann said.

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