



Opposition warns of exodus from private health cover

By Danielle Cronin
Health Reporter

Changes to the Medicare levy surcharge would cause a "one-off shock", a Senate estimates committee heard yesterday as a new row broke out over the policy's impact.

The Federal Government plans to remove a "tax trap" for some people without private health cover.

But Treasury had "massively underestimated" the number of people who would dump their policies as a result, according to the Opposition.

Under the changes, singles could earn up to \$100,000 and couples could bring in \$150,000 before they paid the Medicare levy surcharge imposed on those without private health insurance.

Prime Minister Kevin Rudd said yesterday the Government stood by Treasury's estimate that the change would prompt 484,000 people to ditch their policies.

But Opposition health spokesman Joe Hockey said Treasury had "massively underestimated" the number of people who would leave private health insurance, because

TSUNAMI EFFECT: Senator Mathias Cormann questioned changes to the Medicare levy.



officials had only considered adults. "When children are included we see Government estimates nearly double," Mr Hockey said.

In a Senate estimates hearing yesterday on the health portfolio, Liberal senator and former private health fund manager Mathias Cormann questioned officials over the impact of the changes.

"This policy measure will create a tsunami of demand for public hospitals ..." Senator Cormann said.

"Why would you not think it's important to consult with the states and territories on a policy measure at the Commonwealth level that's going to have an impact on public hospitals?"

Health department officials advised states and territories were

not consulted before the Commonwealth unveiled its policy change. Department deputy secretary David Kalisch said the change was "in effect a one-off shock to the system".

But officials estimated 200,000 extra people would take out insurance annually and would ultimately more than make up for the immediate loss of members.

Medibank Private chief financial officer Michael Sammells restated that the government-owned health fund expected to lose up to 10 per cent of members.

Senator Cormann was concerned that the Government's "significant" change came after health funds had applied for their annual increase in premiums but before the industry learned it could lose up to one million members.

Health Minister Nicola Roxon earlier suggested insurers had either secured premium increases that were higher than required to run their businesses or health funds would now face problems.

But Department secretary Jane Halton rejected the suggestion, saying companies could apply for premium increases at any point.