



# Health funds plan for levy deal fight

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Health insurers will launch an aggressive campaign to keep their members after the Senate finally passed changes yesterday to the Medicare surcharge income thresholds.

With the Government pushing for a vote, an eleventh-hour deal was hammered out between Health Minister Nicola Roxon, the Greens and key senator Nick Xenophon to get the changes through Parliament.

But the Government was forced to perform major surgery to the Bill to appease the seven balance-of-power senators — Family First's Steve Fielding, Independent Senator Xenophon and the Greens.

The income thresholds, at which point a one per cent tax penalty kicks in for anyone without health insurance, will be increased from \$50,000 to \$70,000 for singles and from \$100,000 to \$140,000 for couples.

The Government originally wanted to set the thresholds at \$100,000 and \$150,000 respectively and offered a compromise two weeks ago to reduce the singles threshold to \$75,000.

Treasury expects almost 500,000 people will drop out of their health funds because they will no longer incur the levy without the insurance. It had expected 644,000 to pull out if the Government's original thresholds had been approved.

The deal also means just 250,000 people will get an average tax cut of \$600 because they will not have to pay the levy, 150,000 fewer than first intended. In total, the changes will save the Government \$380 million over four years. HBF general manager Rob Bransby said WA's



**Bed queues:** The changes are expected to put more pressure on hospitals.

biggest fund would launch an advertising campaign emphasising the value of private health cover.

It would highlight the high cost of procedures, such as \$40,000 for a heart bypass or \$27,000 for a hip replacement, which non-members would pay if they wanted surgery quickly.

Australian Health Insurance Association chief executive Michael Armitage said the industry was working with the Government to make private cover more attractive to help retain members, such as eliminating surprise gap fees and publicising hospital performance to lift quality of care.

Though happy the Government's changes did not go as far as first planned, Dr Armitage said public hospitals would have to provide another 250,000 bed days a year for former fund members now relying on public hospitals and premiums were likely to rise.

Senator Xenophon had argued against the higher thresholds in the belief they would see too many people leave health funds, forcing up premiums for remaining mem-

bers and lengthening public hospital queues. He wanted the thresholds reduced to \$69,000 and \$138,000.

The Government also promised him a Productivity Commission inquiry would be held into health funding, while the Greens were given assurances the changes would be reviewed annually for the next three years to judge the impact on hospitals. The thresholds will be indexed to wages growth, meaning they will be increased every year.

Senator Xenophon said the compromise deal was "the best that can be done in the circumstances".

Ms Roxon said the Government was confident the impact on hospital queues and premiums would be less than industry warnings.

The coalition maintained its opposition to the changes, with the Senate vote split 33-30.

Opposition spokesman for health administration, Mathias Cormann, said the biggest losers would be the one million policy holders earning less than \$50,000 a year who get hit with the double whammy of no tax cut and higher premiums.