



# Battle to limit rises in health premiums

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CANBERRA has a multi-million-dollar battle on its hands to contain health fund premium rises, with any increase cutting into \$380 million of Medicare surcharge savings.

Health Minister Nicola Roxon pushed through the controversial changes to the surcharge last year, lifting the income threshold at which it cuts in and exempting 250,000 people from the tax.

But she faces a reckoning in coming weeks in the form of health funds' annual bids for premium increases, which the industry has warned will be far higher than usual because the surcharge changes reduced their number of members.

Acting Opposition health spokesman Mathias Cormann said yesterday the excess premium hikes would punch a major hole in

the federal health budget by flowing through to higher government rebate payments.

"Nicola Roxon and Kevin Rudd are directly responsible for any additional increases in health insurance premiums," he said.

"They are faced with increased premiums without benefiting from any related tax cut."

Taxpayers will spend \$3.6 billion this financial year to lower the cost of private health insurance for members, footing 30-40 per cent of the total bill.

Treasury will lose \$360 million in Medicare surcharge revenue, but forgo \$740 million in rebate payments, bringing total savings to \$380 million over forward estimates.

Last year, the Government approved a 4.99 per cent increase in premiums for health funds, with

Ms Roxon warning insurers against ambit claims this year.

Her spokesman yesterday said: "The Government does not accept that premiums will necessarily rise as a result of the changes."

But each percentage point rise in premiums could strip \$36 million this year alone from the measure's planned savings, in a major hit to the national health budget. Only if the health fund dropout is far higher than anticipated will Treasury start to repair the damage.

But Treasury's modelling of the \$380 million in savings does not build in the annual premium rises, relying instead on the pool of money set aside across all government departments to cover any blowouts.