

Near conspiracy of silence by States over higher threshold for Medicare levy surcharge

# Rudd health move could spur Upper House call



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Veteran Clerk of the Senate Harry Evans gave the 14 new senators a bit of a history lesson this week. Ever the defender of the Senate's independence, Mr Evans told the new chums during their three-day crash course that Australia's constitutional system was not quite as "Westminster" as some thought and that the Senate was actually more powerful than many other comparable chambers worldwide.

The message that many of the new senators got out of the Clerk's address was that the Senate was not a plaything of the executive, nor was it a rubber stamp of the government of the day.

It wasn't an invitation for the senators to be obstructionist but simply to take their independence seriously. Of course the Liberals, the Greens and new Independent Nick Xenophon don't need such a reminder. Maybe the message was most pertinent for the new Labor senators.

But it's a message that the Labor premiers should also ponder in light of some of the Rudd Government's new policy imperatives.

Take, for example, the doubling of the Medicare levy surcharge announced in the May Budget.

Imagine the storm of protest from the Labor States if it had been the former Howard government and not the Rudd Government that had

proposed increasing the threshold for payment of the one per cent tax levy for singles from \$50,000 to \$100,000 and for couples from \$100,000 to \$150,000.

Premiers and health ministers would have been out in a flash to berate the Commonwealth for putting more pressure on public hospitals.

They'd be demanding Federal Treasury modelling pronto and conducting their own research on the flow-on impact of allowing hundreds of thousands of people to flee private health insurance.

Instead we've seen almost a conspiracy of silence from the States.

It wasn't revealed until the day after the Budget was delivered that the Government confirmed Treasury's "assumption" that about 484,000 people would dump their private cover, saving Federal outlays in the order of \$960 million over four years in the 30 per cent private health insurance rebate but resulting in a net saving of about \$300 million once you took into consideration the \$660 million lost from the uninsured who paid the one per cent tax levy.

The Government framed it as a fairness measure.

Quite correctly, it pointed out that the previous government had not indexed the Medicare levy thresholds since their introduction in 1997 and that when only 8 per cent exceeded the \$50,000 threshold 11 years ago, this would have increased to 45 per cent within three years.

Rising wages were seeing more and more people effectively forced to buy health insurance to avoid paying the levy.

If the threshold had been indexed since 1997, it would be about \$78,000 now.



Joint diagnosis: Nicola Roxon and Jim McGinty play down loss of private cover.

Health Minister Nicola Roxon, keen to play down the measure's impact on the already stretched public hospital system, insisted that the people most likely to dump their cover would be the young and healthy who don't use the public hospital system much anyway.

Putting aside the fact that losing this valuable insurance cohort would inevitably increase private health insurance premiums — because the sector would have more "users" of health insurance — there remained little analysis of what the actual impact would be on the public hospital sector.

It was not until a subsequent Senate estimates hearing that Treasury's "assumptions" were tested. Officials confirmed that the 484,000 "adults" expected to dump their cover comprised 186,000 singles and about 149,000 couples.

Importantly, this did not include dependants or children. So the actual number affected by the measure was more than first thought (industry reckons a more accurate figure is about 700,000).

This, coupled with the Government-owned Medibank Private estimating it expected between 7 and 10 per cent of its membership would drop cover, should have begun ringing alarm bells in State health departments.

That might have been the end of the scrutiny of the Budget measure if it wasn't for the fact that the Senate before July 1 was still coalition-controlled. The Senate referred it to the standing committee on economics.

So far the committee has traipsed through WA, South Australia and Queensland.

Senators had hoped to hear from

the various State health departments. When it was in Brisbane and Adelaide, none turned up.

The WA Health Department at least sent representatives.

But what acting director-general of WA Health Robyn Lawrence and acting inter-governmental relations manager Carol Cheney told the committee last week showed no independent work had been done to assess how the Medicare surcharge changes would affect the State's public hospitals, nor had the department asked to see the Federal Treasury's modelling.

Instead it had conducted what Dr Lawrence called preliminary analysis based solely on the Treasury figures published in the media: namely its prediction that 484,000 adults would leave private health cover — data that had already been shown by Treasury admission to be more of a calculation of forgone premiums rather than actual loss of private health coverage.

Notwithstanding this oversight, Dr Lawrence said the department was concerned that the flight of people from private health insurance — WA has the nation's highest level of health insurance at 49.7 per cent — would shift additional demand on to WA's public hospitals and, in particular, elective surgery.

She said the preliminary analysis estimated the proposed changes to the surcharge would cost WA's public hospitals \$53.6 million extra a year and 268 more beds.

In light of the State and Federal health ministers hoping to strike a new Australian health-care agreement later this year, it's alarming that no one is carefully assessing what impact the changes would have on State health systems. Surprising, too, given Kevin Rudd's threat of a Federal takeover if States don't smarten up their act.

Sure, many in the Labor Party have never liked the 30 per cent private health insurance rebate but that's beside the point.

For his part, WA Health Minister Jim McGinty says he's relatively unfussed, telling *The West* earlier this week: "People from their various vested interests are putting forward all sorts of widely varying figures. My current view is that it won't be an enormous impact because the sort of people who will pull out are younger, fitter, healthier people."

But he added: "Anything that adds to demand for public hospital services will be factored in."

He'd better start working out some numbers.