

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Additional Estimates 2011-2012, 15 February 2012

Question: E12-242

OUTCOME 9: Private Health

Topic: PRIVATE HEALTH INSURANCE

Written Question on Notice

Senator Di Natale asked:

Can you describe the assumptions that underpin that model very briefly?

Answer:

The Treasury model for estimating changes in private health insurance coverage with the introduction of mean-testing of the private health insurance rebate was developed in the lead up to the 2009-10 Budget.

The model methodology and assumptions were provided to the Community Affairs Legislation Committee in mid-2009 at the Senate Inquiry into the Fairer Private Health Insurance Incentives Bill 2009 and two related bills.

Since this inquiry, the Treasury model has been updated for parameter changes on non-policy variables. The model assumptions, however, have not changed.

- As a result of the parameter updates, the estimate of the number of people that would drop their private health insurance with the introduction of the incentive tiers was revised to 27,000 people.

More recently, the Treasury model was applied to estimate the impact of reducing the private health insurance rebate for Tiers 2 and 3, but without increasing the rate of the Medicare levy surcharge.

- The estimate that around 80,000 to 100,000 people would drop their cover was informed by this model, as well as other analysis by the Department of Health and Ageing.