

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 3-5 June 2008

Question: bet 20

Topic: Medicare Levy Surcharges – Premium Changes

Hansard Page: Written

Senator Cormann asked:

I refer to Mr Ray's evidence before the Committee on 3 June 2008:

Mr Ray – The premium information and the forward estimates of premium changes have been taken into account in these costings.

Following on from that evidence my questions are:

1. Was the premium information and the forward estimates of premium changes that have been taken into account in these costings based on the information submitted by health funds in their rate change applications towards the end of 2007, which were 'not disallowed' in March 2008?
2. If not, what was the premium information and the forward estimates of premium changes based on instead?
3. Considering that since the most recent round of premium changes, membership levels of one of the key variables when forecasting premium increases, are now expected to go down as a result of the proposed changes to the Medicare Levy Surcharge thresholds, was any additional information or assumptions used to identify the relevant premium information and the forward estimates of premium changes, and if yes what were they?
4. As part of your costings, was any assumption made on the likely impact of the changes to Medicare Levy Surcharge thresholds themselves on future premium increases?
5. If yes, were those assumptions under question 4. included in the costings of the estimated \$959.7 million saving over the forward estimates related to the private health insurance rebate?
6. What is the estimated impact of the Medicare Levy Surcharge threshold increases on future premium increases according to the Treasury and Department of Health and Ageing assumptions?
7. By how much was the private health insurance rebate saving reduced (to end up at \$959.7 million over the forward estimates) as a result of expected and costed additional increases to private health insurance premiums?

Answer:

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1. Premium information was based on the best available data and assumptions from a number of sources, including recent rate change applications submitted by health funds and Private Health Insurance Administration Council (PHIAC) data on contribution income and policies.
2. See answer to question 1.
3. No assumption was made about the effect of the threshold changes on premium levels.
4. See answer to question 3.
5. See answer to question 3.
6. No impact has been estimated for the effect of the Medicare Levy Surcharge threshold increases on future premium increases.
7. See answer to question 6.