

Document 2

Explanatory Notes to understand the model

REVISED MODELLING FOR ADDITIONAL SAVINGS

In February 2011, DoHA was advised that the Office of the Minister for Health and Ageing requested the following: 'PHI - can we work up an option for tightening the means test on the PHI tiers. This should go in the PBS alongside the other PBS saves'

The revised modelling incorporates a reduction in the PHI rebate to zero for people in Tier 2 (instead of a 20 percentage point reduction) and an increase in the MLS rate for people in Tier 2 to 1.5% (instead of 1.25%)

In effect there are now only two tiers as people in Tier 2 will be treated the same people in Tier 3

30% rebate for people earning less than \$75k/\$150k (as is current situation)

10 percentage point reduction in rebate for people earning \$75k/\$150k to \$90k/\$180k (ie. 20% for aged under 65, 25% for 65-69, 30% for 70 and over) and continue to pay MLS of 1% if no PHI

No rebate for people earning \$90k/\$180k and over and increase in MLS to 1.5%

Income thresholds at which reduced rebate reductions occur will be indexed in identical way to Medicare levy surcharge income thresholds (ie. average wages)

Commencing 1 July 2011

Key changes to the model (16 February 2011):

Inserted new worksheet 'Tiers Rebate Level' which lists amount of PHI Rebate and MLS according to each Tier; the rebate amounts per policy by age group and rebate savings in the worksheet 'Cost Estimates' are linked by formula rather than the formula hardcoded

Inserted new worksheet 'Additional Savings' which shows how the savings compare under the changes to the original savings; the top table indicates the new cost to the Government from PHI rebate expenditure in the first year while the remaining tables show the types of savings/gain by financial year

In worksheet 'Cost Estimates' cell I118 now links to a formula to determine the effective price increase for Tier 1 rather than the formula hardcoded

In worksheet 'Cost Estimates' cell I166 now links to a formula to determine the new MLS rate for Tier 2 rather than the formula hardcoded; ditto for cell I170 and Tier 3

Worksheet 'Cost Estimates' still contains all the original underlying data (ie. PHIAC benchmarked, DoHA Avg Premium)

Key changes to the model (17 February 2011):

Amended title of worksheet to 'PHIAC 2010 data' and updated with PHIAC December 2010 quarter data on private health insurance coverage

In worksheet 'Average Rebate Age Income' cells D6 and D90 contain the updated full cost of a combined product based the 2009-10 PHIAC Operations Report

In worksheet 'Average Rebate Age Income' cell F191 contains the weighted average premium increase for the 2011 premium round

In worksheet 'Cost Estimates' cells B9 and B10 contain the updated full cost of a combined product for 2011-12

In worksheet 'Cost Estimates' cells C9 and C10 now link to a formula to determine the effective price of a product after the rebate is deducted

In worksheet 'Cost Estimates' moved rate protection and benchmarking checks calculations to another part of worksheet

In worksheets 'Cost Estimates' and 'Additional Savings' included a 2014-15 year for PHI Save, MLS Gain, and Total calculations

In worksheet 'Cost Estimates' included a note to disregard 2009-10 and 2010-11 estimates due to a delay in the implementation of the measure

In worksheet 'Cost Estimates' updated PHI Rebate estimates to estimates agreed with DoFD for Additional Estimates 2010-11

ORIGINAL MODELLING

Outline of proposals

Commencing 1 July 2010

Income thresholds at which reduced rebate reductions occur will be indexed in identical way to Medicare levy surcharge income thresholds (ie. average wages)

Option 1:

30% rebate for people earning less than \$75k/\$150k (singles; couples/families)

15 percentage point reduction in rebate for people earning \$75k/\$150k to \$100k/\$200k (ie. 15% for aged under 65, 20% for 65-69, 25% for 70 and over) and continue to pay MLS of 1% if no PHI

No rebate for people earning \$100k/\$200k and over and increase in MLS from 1% to 2%

Option 2:

30% rebate for people earning less than \$75k/\$150k (as is current situation)

10 percentage point reduction in rebate for people earning \$75k/\$150k to \$90k/\$180k (ie. 20% for aged under 65, 25% for 65-69, 30% for 70 and over) and continue to pay MLS of 1% if no PHI

20 percentage point reduction in rebate for people earning \$90k/\$180k to \$120k/\$240k (ie. 10% for aged under 65, 15% for 65-69, 20% for 70 and over) and increase in MLS to 1.25%

No rebate for people earning \$120k/\$240k and over and increase in MLS to 1.5%

Outline of methodology (for Option 1 but same steps for Option 2 except different rebate levels and MLS rates applied and no uptake rate for Option 2)

Treasury personal income tax model used to obtain data on the number of people estimated to have private health insurance at various ages and income categories.

s47

For each income, age and marital status category the number of people, average premium, average rebate per policy, and total rebate was calculated. A benchmark estimate is calculated based on PHIAC A Report statistics for membership as at 31 December 2008 to test the reasonableness of the estimate of the number of people in the Treasury tax model.

For each income, age and marital status category the average rebate per policy and total rebate has been calculated after the proposed reduction of rebate to 15% for people earnings \$70k to \$100k and 0% for people earning over \$100k.

The total rebate cost for each income, age and marital status category has been determined. This has been deducted from the total 2009-10 PHI rebate estimate which is based on the PHIAC benchmarked tax file number distribution. And then indexed by the benchmarking factor for the aggregate 2009-10 PHI rebate cost. The PHIAC benchmark is very close for singles but has a large deviation for couples. A significant adjustment is required for couples because the Treasury tax model only produces taxpayers who are members of couples, rather than couples themselves (as some couples will be dual income).

The reduction in the rebate is assumed to lead to some people dropping their PHI. The drop out rate is determined based on the change in price of PHI and the price elasticity of demand for PHI. For each income and marital status category, the number of people assumed to drop out of PHI is calculated. Academic and empirical research on the topic suggests an elasticity of -0.335. However, this applies to people in all income categories and demographic groups. There is evidence that price elasticities are relatively lower at higher levels of income (also lower for those aged 64 years and over and for singles; families and sole parents may have higher elasticities). So an elasticity of -0.2 is used.

The savings to the rebate and the additional MLS revenue as a result of some people dropping their PHI is determined. The rebate savings are scaled back in the first year (if start date is 1 January 2010) due to impact of rate protection which allows consumers to pay their premiums in advance (generally by up to a year) and thus lock in their premium amount. Consumers who pay in advance prior to the implementation date will also be locking in their rebate level for the duration of their policy. The rate protection scale back factor is based on information for insurer's premium applications (ie. works out to around one month lost premiums or rebate savings) but then further re-rated to assume that 50% extra people than usual will pre-pay a year's worth of premiums once they hear their rebate will be reduced. This affects the first year of implementation. The second year of implementation also has a rate protection discount factor to allow for insurers offering people the opportunity to pay for 2 years premiums in advance as an incentive for them not to consider downgrading their product, switching to another insurer or dropping out. It is assumed that the impact of this is 10% extra people than usual pre-paying.

The loss in MLS revenue due to the increased surcharge level is determined. A take up rate of 80% for PHI by those who formerly did not have PHI but will now be subject to a 2% MLS is used. Australian Bureau of

Obtained current PHI rebate expenditure of \$3 654 billion (DoHA Portfolio Additional Estimates Statements, p.67) to calculate savings to rebate over the forward estimates.

All the above is determined for each option with only the rebate level and level of the MLS differing.

Key Assumptions

Average rebate based on average cost of PHI which in turn is based on PHIAC data concerning total premium revenue and number of SEUs

Price elasticity of PHI of -0.2 for those earning over \$100k/\$200k

Average income for those who drop out of PHI due to reduced level of rebate is \$80k for singles and \$160k for couples

The growth in rebate expenditure and MLS revenue in the out years s47

The proportion of people who previously did not purchase PHI but will now do so due to the increase in the level of the MLS is 80% for Option 1 and 100% for Option 2

Indexation of income thresholds by wages growth (in accordance with MLS indexation) results in starting point of \$75k/\$100k at 1 July 2010

Key Data

Number of people estimated to have private health insurance at various ages and income categories: Treasury personal income tax model

Number of people with private health insurance at various ages and with various policy types: Private Health Insurance Administration Council, A Report, December 2008 quarter

Current PHI rebate expenditure: DoHA Portfolio Additional Estimates Statements

Summary of statistics used in briefings

Item	Statistic	Briefing Used
Published net savings of combined changes over 4 years	\$1.9 billion	Key Facts & Figures; Budget Supporting Material; QTB; Q&A; Media Release; Budget Paper No.1; Budget Paper
Published private health insurance rebate savings over 4 years	\$1.8 billion	QTB; Q&A; Budget Paper No.2
Published additional revenue Private Health Insurance Surcharge over 4 years	\$145 million	QTB; Q&A; Budget Paper No.2
Estimated increase in private health insurance rebate expenses in 2009-10	\$125 million	Budget Paper No.1
Number of people affected as they have private health insurance and earn \$75,001 or more as singles or \$150,001 or more as couples/families - higher income earners	2.3 million	Key Facts & Figures; Budget Supporting Material; QTB; Q&A
Number of singles adults as part of people affected as they have private health insurance and earn \$75,001 or more as singles or \$150,001 or more as couples/families - higher income earners	600,000	Minister's Office Request
Number of adults who are couples as part of people affected as they have private health insurance and earn \$75,001 or more as singles or \$150,001 or more as couples/families - higher income earners	1 million	Minister's Office Request
Number of children/dependents as part of people affected as they have private health insurance and earn \$75,001 or more as singles or \$150,001 or more as couples/families - higher income earners	700,000	Minister's Office Request
Number of people not affected as they have private health insurance and earn \$75,000 or less as singles or \$150,000 or less as couples/families - low and middle income earners	7.4 million	
Number of singles adults as part of people not affected as they have private health insurance and earn \$75,000 or less as singles or \$150,000 or less as couples/families - low and middle income earners	1.6 million	Minister's Office Request
Number of adults who are couples as part of people not affected as they have private health insurance and earn \$75,000 or less as singles or \$150,000 or less as couples/families - low and middle income earners	3.8 million	Minister's Office Request
Number of children/dependents as part of people not affected as they have private health insurance and earn \$75,000 or less as singles or \$150,000 or less as couples/families - low and middle income earners	2.6 million	Minister's Office Request
Net number of people estimated to drop out of private health insurance as a result of the combined impact of private health insurance rebate reduction or removal and the increase in the Medicare levy surcharge rate	25,000	Key Facts & Figures; QTB; Q&A
Proportion of policyholders estimated to remain in private health insurance after changes	99.7%	Key Facts & Figures; Budget Supporting Material; QTB; Q&A; Media Release
Proportion of current private health insurance coverage estimated to remain after changes	99%	Budget Paper No.1; Budget Speech
Number of single policyholders estimated to remain in private health insurance after changes	2.2 million	Q&A
Number of couple policyholders estimated to remain in private health insurance after changes	2.4 million	Q&A
Number of people affected by Medicare levy surcharge changes as they will not have private health insurance and earn \$90,001 or more as singles or \$180,001 or more as couples/families and thus must pay higher surcharge	130,000	QTB
Number of singles estimated to drop out	6,500	Key Facts & Figures; Budget Supporting Material; QTB; Q&A; PMO Briefs; DoFD Budget Lockup Brief
Number of couples estimated to drop out	5,500	Key Facts & Figures; Budget Supporting Material; QTB; Q&A; PMO Briefs; DoFD Budget Lockup Brief
Number of people affected by private health insurance rebate tiers only as they have general treatment only policies and earn \$75,001 or more as singles or \$150,001 or more as couples/families	5,000	QTB
Number of people who have both hospital and general cover and may drop ONLY their general cover.	10,000	QTB
Number of singles aged 65 and under with reduced rebate as earn \$75,001 or more	590,000	DoFD Budget Lockup Brief
Number of singles 65-69 years with reduced rebate as earn \$75,001 or more	13,000	DoFD Budget Lockup Brief
Number of singles aged 70 years and over with reduced rebate as earn \$75,001 or more	33,000	DoFD Budget Lockup Brief
Number of singles total with reduced rebate as earn \$75,001 or more (will receive less of a subsidy)	630,000	Key Facts & Figures; Budget Supporting Material; QTB; PMO Briefs; DoFD Budget Lockup Brief
Proportion of singles aged 65 and under of total singles with reduced rebate as earn \$75,001 or more	93%	DoFD Budget Lockup Brief
Proportion of singles aged 65-69 years of total singles with reduced rebate as earn \$75,001 or more	2%	DoFD Budget Lockup Brief
Proportion of singles aged 65 and under of total singles with reduced rebate as earn \$75,001 or more	5%	DoFD Budget Lockup Brief
Number of couples aged 70 and over with reduced rebate as earn \$150,001 or more	450,000	DoFD Budget Lockup Brief
Number of couples aged 65-69 years with reduced rebate as earn \$150,001 or more	17,000	DoFD Budget Lockup Brief
Number of couples aged 70 years and over with reduced rebate as earn \$150,001 or more	19,000	DoFD Budget Lockup Brief
Number of couples total with reduced rebate as earn \$150,001 or more (will receive less of a subsidy)	490,000	Key Facts & Figures; Budget Supporting Material; QTB; PMO Briefs; DoFD Budget Lockup Brief
Proportion of couples aged 65 and under of total couples with reduced rebate as earn \$150,001 or more	71%	DoFD Budget Lockup Brief
Proportion of couples aged 65-69 years of total couples with reduced rebate as earn \$150,001 or more	3%	DoFD Budget Lockup Brief
Proportion of couples aged 70 and over of total couples with reduced rebate as earn \$150,001 or more	4%	DoFD Budget Lockup Brief
Proportion of singles affected as they have private health insurance and earn \$75,001 or more	28%	Media Release; DoFD Budget Lockup Brief
Proportion of couples affected as they have private health insurance and earn \$150,001 or more	21%	Media Release; DoFD Budget Lockup Brief
Proportion of current private health insurance policyholders who will drop out	0.2%	DoFD Budget Lockup Brief
Proportion of Australian adults affected by the changes	10%	Media Release
Proportion of single taxpayers who have incomes above \$74,000	14%	Media Release; Budget Paper No.1
Proportion of private health insurance rebate received by single taxpayers who have incomes above \$74,000	#REF!	Media Release; Budget Paper No.1
Proportion of couple taxpayers who have incomes above \$150,000	12%	Media Release; Budget Paper No.1
Proportion of private health insurance rebate received by couple taxpayers who have incomes above \$150,000	#REF!	Media Release; Budget Paper No.1
Singles earning over \$120,000 account for approximately 4% of all PHI memberships and will receive approximately	4%	Email to MO 3 Feb 2010
Rebate received by singles earning \$120k and over	\$115 million	Email to MO 3 Feb 2010
Estimated expenditure on private health insurance rebate per annum by 2019-20	\$9.3 billion	Budget Paper No.1
Total cost to implement measure over five years	\$69 million	Budget Paper No.2
Australian Taxation Office cost to implement measure over five years	\$66.6 million	Budget Paper No.2
Department of Health and Ageing cost to implement measure over five years	\$1.9 million	Budget Paper No.2
Medicare Australia cost to implement measure over five years	\$540,000	Budget Paper No.2

Summary of statistics in budget papers

Private health insurance - fair and sustainable support for the future

Expense (\$m)	2008-09	2009-10	2010-11	2011-12	2012-13
Department of Health and Ageing	-	119.3	-713.5	-613.8	-614.9
Australian Taxation Office	1.0	4.8	18.1	33.6	9.1
Medicare Australia	-	0.3	-	-	-
Total	1.0	124.3	-695.4	-580.2	-605.8
Related revenue – Australian Taxation Office	-	-	-	70.0	75.0
Related capital – Medicare Australia	-	0.3	-	-	-

Source

Budget Paper No.2, Budget Measures 2009-10, p.310

Note negative indicates a saving; DoHA refers to Private Health Insurance Rebate expenditure/savings paid through Medicare Australia; Medicare Australia refers to administration costs to implement changes; ATO refers to Private Health Insurance Surcharge revenue paid through Australian Taxation Office

Expense measures

\$m	2008-09	2009-10	2010-11	2011-12	2012-13
HEALTH AND AGEING					
Private health insurance					
fair and sustainable support for the future	0.0	119.3	-713.5	-613.8	-614.9
transparent premium setting	0.0	0.0	0.0	0.0	0.0
HUMAN SERVICES					
Private health insurance - fair and sustainable support for the future	0.0	0.3	0.0	0.0	0.0
TREASURY - AUSTRALIAN TAXATION OFFICE					
Private health insurance - fair and sustainable support for the future	1.0	4.8	18.1	33.6	9.1

Source

Budget Paper No.2, Budget Measures 2009-10, Table 1 Expense measures since the February 2009 UEFO, p 63

Revenue measures

\$m	2008-09	2009-10	2010-11	2011-12	2012-13
TREASURY					
Private health insurance - fair and sustainable support for the future	-	-	-	70.0	75.0

Source

Budget Paper No.2, Budget Measures 2009-10, Table 1 Revenue measures since the February 2009 UEFO, p.5

Capital measures

\$m	2008-09	2009-10	2010-11	2011-12	2012-13
HUMAN SERVICES					
Private health insurance - fair and sustainable support for the future	-	0.3			

Source

Budget Paper No.2, Budget Measures 2009-10, Table 3 Capital measures since the February 2009 UEFO, p.404

Special appropriations

(\$'000)	Estimated Actual 2008-2009	Budget Estimate 2009-2010
Department of Health and Ageing		
Aged Care (Bond Security) Act 2006	9,000	-
Aged Care Act 1997	6,398,449	7,039,763
Dental Benefits Act 2008	92,787	104,142
Health Care (Appropriations) Act 1998	10,281,214	-
Health Insurance Act 1973	14,026,985	14,897,926
Medical Indemnity Act 2002	91,600	125,993
National Health Act 1953	8,851,220	9,003,083
Private Health Insurance Act 2007	4,129,541	4,188,376
Total Department of Health and Ageing	43,880,796	35,359,283

Source

Budget Paper No.4, Agency Resourcing 2009-10, Estimated expenses from Special Appropriations, p.22

Major components of medical services and benefits

\$m	Estimates		Projections	
	2009-10	2010-11	2011-12	2012-13
Medical Benefits Schedule	15,003	15,649	16,498	17,311
Private Health Insurance	4,115	3,264	3,355	3,313
Veterans's Medical Benefits	959	974	987	1,000
Primary Care Practice Incentives	293	301	301	312
Medical Indemnity	126	140	142	154
Other	725	672	692	711
Total	21,221	21,000	21,975	22,801

Source

Budget Paper No.1, Budget Strategy And Outlook 2009-10, Table 8.1 Trends in the major components of medical services and benefits sub-function expenses, p 6-22

Major savings in the 2009-10 Budget

\$m	2008-09	2009-10	2010-11	2011-12	2012-13
Secure and sustainable pensions					
Private health insurance - fair and sustainable support for the future	-1.0	-124.6	695.4	650.2	680.8

Source

Budget Overview, Appendix F, Major savings in the 2009-10 Budget, Treasury Budget website, http://www.budget.gov.au/2009-10/content/overview/html/overview_39.htm

Outcome 9 Expenses and Resources

	(\$'000)	2008-09 Estimated actual expenses	2009-10 Estimated expenses
Administered expenses			
Ordinary annual services (Appropriation Bill No.1)		1 404	10 773
Special appropriations			
<i>Private Health Insurance Act 2007</i>		3 875 106	3 923 291
Departmental expenses			
Ordinary annual services (Appropriation Bill No.1)		10 523	9 863
Revenues from other sources (s31)		3 517	3 528
Unfunded expenses		186	-
Subtotal for Program 9.1		3,890,736	3,947,455
Outcome 9 totals by appropriation type			
Administered expenses			
Ordinary annual services (Appropriation Bill No.1)		1,404	10,773
Special appropriations		3,875,106	3,923,291
Departmental expenses			
Ordinary annual services (Appropriation Bill No.1)		10 523	9 863
Revenues from other sources (s31)		3 517	3 528
Unfunded expenses		186	-
Total expenses for Outcome 9		3,890,736	3,947,455
		2008-09	2009-10
Average staffing level (number)		73	76

Source

Department of Health and Ageing, Portfolio Budget Statements, Outcome 9 Private Health, Table 9.1: Budgeted Expenses and Resources for Outcome 9, p.250

Outcome 9 Program Expenses

	(\$'000)	2008-09 Estimated actual	2009-10 Budget	2010-11 Forward year 1	2011-12 Forward year 2	2012-13 Forward year 3
Annual administered expenses:						
Ordinary annual services		1 404	10 773	1 621	1 784	1 722
Special appropriations:						
<i>Private Health Insurance Incentives Act 1998</i>		3,875,106	3,923,291	3,072,607	3,152,723	3,101,574
Program support		14 226	13 391	12 407	10 904	9 064
Total Program expenses		3,890,736	3,947,455	3,086,635	3,165,411	3,112,360

Source

Department of Health and Ageing, Portfolio Budget Statements, Outcome 9 Private Health, Table 9.2: Program Expenses, p.254

- 850,684 80,116 - 51,149

Health and Ageing - 2009-10 Budget at a glance

Health and Ageing Measures (\$m)	Budget		Forward Estimates			Total 5 years
	2008-09	2009-10	2010-11	2011-12	2012-13	
REBALANCING SUPPORT FOR PRIVATE HEALTH NSURANCE						
Private health insurance - fair and sustainable support for the future	1 0	124.6	-695.4	-650.2	-680.8	-1901.8

Source

Health and Ageing - 2009-10 Budget at a glance, Department of Health and Ageing website, <http://www.health.gov.au/internet/budget/publishing.nsf/Content/budget2009>

Summary of cost savings

Option 2		
Period	\$m	For Briefings
Over 4 years		
Total savings	s47	
Rebate impact		
MLS revenue impact		
2009-10		
Total savings	s47	
Rebate impact		
MLS revenue impact		
2010-11		
Total savings	s47	
Rebate impact		
MLS revenue impact		
2011-12		
Total savings	s47	
Rebate impact		
MLS revenue impact		
2012-13		
Total savings	s47	
Rebate savings		
MLS revenue impact		

Option 1		
Period	\$m	For Briefings
Over 3 years		
Total savings	#REF!	
Rebate savings	#REF!	
MLS revenue impact	#REF!	
2010-11		
Total savings	#REF!	
Rebate savings	#REF!	
MLS revenue impact	#REF!	
2011-12		
Total savings	#REF!	
Rebate savings	#REF!	
MLS revenue impact	#REF!	
2012-13		
Total savings	s47	
Rebate impact		
MLS revenue impact	s47	
2013-14		
Total savings	s47	
Rebate impact		
MLS revenue impact	s47	

Summary of cost savings Rebate only

Period	\$m	For Briefings
Over 4 years		
Total savings	s47	
Published Es imates		
Contingency Reserve		
2009-10		
Total savings		
Published Es imates		
Contingency Reserve		
2010-11		
Total savings		
Published Es imates		
Contingency Reserve		
2011-12		
Total savings		
Published Es imates		
Contingency Reserve		
2012-13		
Total savings		
Published Es imates		
Contingency Reserve		
2013-14		
Total savings		
Published Es imates		
Contingency Reserve		

Published savings

Period	\$m	For Briefings
Over 4 years		
Rebate savings	s47	
MLS revenue		
Total savings		

Comparison of cost savings between original measure and additional savings measure

SUMMARY OF SAVINGS OVER FOUR YEARS

Total Savings

Period	Additional Savings Option			
2011-12	s47			
2012-13				
2013-14				
2014-15				
Total				

PHI Rebate Savings

Period	Additional Savings Option			
2011-12	s47			
2012-13				
2013-14				
2014-15				
Total				

Conversion back to millions

Should 13-14 be bigger save than 12-13 under current policy?

MLS Gain

Period	Additional Savings Option			
2011-12	s47			
2012-13				
2013-14				
2014-15				
Total				

Updated to allow growth in each year

PHI Rebate Cost To Government In First Year

Category	Additional Savings Option	
<i>Singles - Under 65 years</i>		
No Tier	878,882,422	
Tier 1	89,812,746	
Tier 2	40,524,120	
Tier 3	-	
<i>Couples - Under 65 years</i>		
No Tier	1,983,821,061	
Tier 1	147,935,900	
Tier 2	58,272,838	
Tier 3	-	
<i>Singles - 65-69 years</i>		
No Tier	33,605,723	
Tier 1	1,841,728	
Tier 2	483,148	
Tier 3	-	
<i>Couples - 65-69 years</i>		
No Tier	187,163,247	
Tier 1	5,549,191	
Tier 2	3,184,209	
Tier 3	-	
<i>Singles - 70 years and over</i>		
No Tier	96,828,424	
Tier 1	5,013,003	
Tier 2	3,650,043	
Tier 3	-	
<i>Couples - 70 years and over</i>		
No Tier	265,121,220	
Tier 1	7,077,510	
Tier 2	4,614,018	
Tier 3	-	
Total	3,813,380,551	

s47

Comparison of cost savings

Option 2		
Period	\$m	For Briefings
Over 4 years	s47	
Total savings		
Rebate impact		
MLS revenue impact		
2009-10		
Total savings		
Rebate impact		
MLS revenue impact		
2010-11		
Total savings		
Rebate impact		
MLS revenue impact		
2011-12		
Total savings		
Rebate impact		
MLS revenue impact		
Total savings		
Rebate savings		
MLS revenue impact		
	-	
	-	
	-	
Option 1	#VALUE!	
Over 3 years	-	
Total savings	#REF!	
Rebate savings	#REF!	
MLS revenue impact	#REF!	
2010-11	-	
Total savings	#REF!	
Rebate savings	#REF!	
MLS revenue impact	#REF!	
2011-12	-	
Total savings	#REF!	
Rebate savings	#REF!	
MLS revenue impact	#REF!	
2012-13		
Total savings	s47	
Rebate impact		
MLS revenue impact		
Summary of cost savings Rebate only		
Over 4 years	\$m	
Total savings	s47	
Published Estimates	- 460.648	
Contingency Reserve	s47	
2009-10		
Total savings	s47	
Published Estimates	118.150	
Contingency Reserve	s47	
2010-11		
Total savings	s47	
Published Estimates	- 857.139	
Contingency Reserve	s47	
2011-12		
Total savings	s47	
Published Estimates	200.007	
Contingency Reserve	s47	
2012-13		
Total savings	s47	
Published Estimates	78.335	
Contingency Reserve	s47	
Published savings		
Period	\$m	For Briefings
Over 4 years		
Rebate savings	- 460.648	
MLS revenue	- 68.319	
Total savings	- 528.967	

Summary of cost savings - original estimates for May budget based on 2008-09 rebate expenditure estimates

Option 2		
Period	\$m	For Briefings
Over 4 years		
Total savings	2,059.112	
Rebate impact	1,917.073	
MLS revenue impact	142.039	
2009-10	\$m	
Total savings	118.150	
Rebate impact	- 118.150	
MLS revenue impact	-	
2010-11	\$m	
Total savings	- 714.470	
Rebate impact	714.470	
MLS revenue impact	-	
2011-12	\$m	
Total savings	- 713.557	
Rebate impact	644.270	
MLS revenue impact	69.287	
Total savings	740.069	
Rebate savings	676.483	
MLS revenue impact	72.752	
Option 1		
Over 3 years		
Total savings	532.096	
Rebate savings	1,997.267	
MLS revenue impact	33.298	
2010-11		
Total savings	584.418	
Rebate savings	584.418	
MLS revenue impact	-	
2011-12		
Total savings	696.913	
Rebate savings	736.366	
MLS revenue impact	- 39.453	
2012-13	\$m	
Total savings	- 749.235	
Rebate impact	676.483	
MLS revenue impact	72.752	
Summary of cost savings Rebate only (original)		
Over 4 years		
Total savings	\$m s47	
Published Estimates	1,824.768	
Contingency Reserve	s47	
2009-10	\$m	
Total savings	s47	
Published Estimates	- 118.150	
Contingency Reserve	s47	
2010-11	\$m	
Total savings	s47	
Published Estimates	714.470	
Contingency Reserve	s47	
2011-12	\$m	
Total savings	s47	
Published Estimates	614.006	
Contingency Reserve	s47	
2012-13	\$m	
Total savings	s47	
Published Estimates	614.442	
Contingency Reserve	s47	
Published savings		
Over 4 years		
Rebate savings	1,824.768	
MLS revenue	142.039	
Total savings	1,966.807	

Rebate Savings - Published v Conting s47 Reserve Split

Over 4 years	
Total Rebate savings	\$
Rebate savings published	-\$ 2,417
Rebate savings conting reserve	\$
2009-10	
Total Rebate savings	s47
Rebate savings published	\$ -
Rebate savings conting reserve	s47
2010-11	
Total Rebate savings	s47
Rebate savings published	-\$ 142.67
Rebate savings conting reserve	s47
2011-12	
Total Rebate savings	s47
Rebate savings published	\$ 814.01
Rebate savings conting reserve	s47
2012-13	
Total Rebate savings	s47
Rebate savings published	\$ 692.78
Rebate savings conting reserve	s47
2013-14	
Total Rebate savings	s47
Rebate savings published	\$ 692.78
Rebate savings conting reserve	s47

PHI Rebate Expenditure

	PHI rebate Cost excluding Means Test/MLS changes (\$m)	After Means Test/MLS changes (\$m)
2008 09	4,297	4,297
2009 10	4,721	4,721
2010 11		
2011 12		
2012 13		
Average premium	1,940	1,358
Singles	3,880	2,716
Couples		

\$47

PHI Rebate Estimates as at Additional Estimates 2010-11
Used to be \$4,519m for 0910 in older version of model 4.5% increase explains why save now bigger for same policy

The PHI rebate link to the DoFD agreed estimates less the original
Means testing savings component

Singles aged < 65 with PHI

	PHI No. People	PHIAC Benchmarked	DoHA Avg Premium	Current 30% Rebate Per Policy	Current 30% Rebate Total
singleinc1011					
under \$50,000	936,626	983,553	1,940	582	572,460,297
\$50,001 \$75,000	501,351	526,469	1,940	582	306,422,125
\$75,001 \$90,000	220,420	231,463	1,940	582	134,719,119
\$90,000 \$100,000	88,615	93,055	1,940	582	54,160,851
\$100,001 \$120,000	110,295	115,821	1,940	582	67,411,511
\$120,001 \$150,000	74,804	78,552	1,940	582	45,719,087
\$150,001 & over	96,909	101,764	1,940	582	59,230,084
All	2,029,022	2,130,677			1,240,123,652

Couples aged < 65 with PHI

	PHI No. People	PHIAC Benchmarked	DoHA Avg Premium	Current 30% Rebate Per Policy	Current 30% Rebate Total
coupleinc1011					
under \$100,000	1,430,571	1,098,909	3,880	1,164	1,279,201,539
\$100,001 \$150,000	787,998	605,309	3,880	1,164	704,619,522
\$150,001 \$180,000	248,162	190,628	3,880	1,164	221,903,850
\$180,001 \$200,000	90,576	69,577	3,880	1,164	80,992,106
\$200,001 \$240,000	104,929	80,622	3,880	1,164	130,625,408
\$240,001 \$300,000	73,682	56,600	3,880	1,164	65,885,669
\$300,001 & over	111,142	85,375	3,880	1,164	99,382,007
All	2,847,060	2,187,000			2,545,811,101

Singles aged 65-69.5 with PHI

	PHI No. People	PHIAC Benchmarked	DoHA Avg Premium	Current 35% Rebate Per Policy	Current 35% Rebate Total
singleinc1011					
under \$50,000	36,146	37,957	1,940	679	25,774,204
\$50,001 \$75,000	10,983	11,533	1,940	679	7,831,519
\$75,001 \$90,000	3,616	3,797	1,940	679	2,578,419
\$90,000 \$100,000	1,581	1,660	1,940	679	1,127,345
\$100,001 \$120,000	2,120	2,226	1,940	679	1,511,684
\$120,001 \$150,000	1,825	1,917	1,940	679	1,302,044
\$150,001 & over	3,834	4,026	1,940	679	2,733,865
All	60,106	63,117			42,859,081

Couples aged 65-69.5 with PHI

	PHI No. People	PHIAC Benchmarked	DoHA Avg Premium	Current 35% Rebate Per Policy	Current 35% Rebate Total
coupleinc1011					
under \$100,000	155,559	119,494	3,880	1,358	162,282,425
\$100,001 \$150,000	23,850	18,321	3,880	1,358	24,880,822
\$150,001 \$180,000	7,447	5,720	3,880	1,358	7,768,867
\$180,001 \$200,000	2,943	2,261	3,880	1,358	3,070,200
\$200,001 \$240,000	4,179	3,210	3,880	1,358	4,359,621
\$240,001 \$300,000	3,167	2,433	3,880	1,358	3,303,881
\$300,001 & over	5,667	4,353	3,880	1,358	5,911,934
All	202,812	155,792			211,577,750

Singles aged 70+ with PHI

	PHI No. People	PHIAC Benchmarked	DoHA Avg Premium	Current 40% Rebate Per Policy	Current 40% Rebate Total
singleinc1011					
under \$50,000	94,751	99,498	1,940	776	77,214,840
\$50,001 \$75,000	24,068	25,274	1,940	776	19,613,585
\$75,001 \$90,000	8,202	8,613	1,940	776	6,684,005
\$90,000 \$100,000	3,509	3,685	1,940	776	2,859,567
\$100,001 \$120,000	5,449	5,722	1,940	776	4,440,519
\$120,001 \$150,000	4,792	5,032	1,940	776	3,905,115
\$150,001 & over	10,943	11,491	1,940	776	8,917,711
All	151,714	159,315			123,635,341

Couples aged 70+ with PHI

	PHI No. People	PHIAC Benchmarked	DoHA Avg Premium	Current 40% Rebate Per Policy	Current 40% Rebate Total
coupleinc1011					
under \$100,000	197,819	151,957	3,880	1,552	235,850,225
\$100,001 \$150,000	24,551	18,859	3,880	1,552	29,270,995
\$150,001 \$180,000	7,915	6,080	3,880	1,552	9,436,680
\$180,001 \$200,000	3,146	2,417	3,880	1,552	3,750,827
\$200,001 \$240,000	4,594	3,529	3,880	1,552	5,477,209
\$240,001 \$300,000	4,034	3,099	3,880	1,552	4,809,547
\$300,001 & over	7,195	5,527	3,880	1,552	8,976,258
All	249,255	191,468			297,173,740

Total 09-10 PHI rebate estimated from PHIAC bmarkd tax file income dsns 4,461
Benchmarking factor for aggregate 09-10 PHI rebate cost 105.8%

PHI rebate impact before drop-outs

Total Singles with PHI	2,240,842	2,353,109
Total Couples with PHI	3,299,127	2,534,260
PHIAC Dec 08 data		Bmark factor
Singles	2,353,109	105.0%
Couples	2,534,260	76.8%

MLS thresholds assumed to be \$75K/\$150K in 2010-11 after indexation - \$70K/140K 08-09 levels
Tiers from original proposal included, advice from ATO is that the proportions will be the same, as the Tiers go up with the average weekly earnings, so no impact on costing

10% less after MLS (75K), none after 90K	Per Policy	Total
582		572,460,297
582		306,422,125
388		89,812,746
194		18,053,617
194		22,470,504
0		0
0		0
0		0
		1,009,219,288

10% less after MLS (150K), none after 180K	Per Policy	Total
1,164		1,279,201,539
1,164		704,619,522
776		147,935,900
388		26,997,369
388		31,275,469
0		0
0		0
		2,190,029,799

10% less after MLS (75K), none after 90K	Per Policy	Total
679		25,774,204
679		7,831,519
485		1,841,728
291		483,148
0		0
0		0
0		0
		35,930,599

10% less after MLS (150K), none after 180K	Per Policy	Total
1,358		162,282,425
1,358		24,880,822
970		5,549,191
582		1,315,800
582		1,888,409
0		0
0		0
		195,896,647

10% less after MLS (75K), none after 90K	Per Policy	Total
776		77,214,840
776		19,613,585
582		5,013,003
388		1,429,784
388		2,220,260
0		0
0		0
		105,491,471

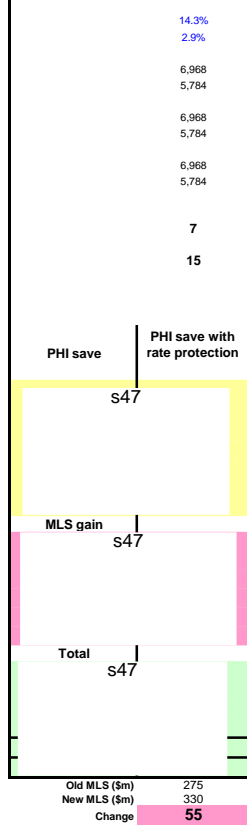
10% less after MLS (150K), none after 180K	Per Policy	Total
1,552		235,850,225
1,552		29,270,995
1,164		7,077,510
776		1,875,413
776		2,738,604
0		0
0		0
		276,812,747

3,813		
686		

Total rebate for singles (now) 1407
Total rebate for singles over MLS (now) 397
Total rebate for singles (proposed) 1151
Total rebate for singles over MLS (proposed) 141
% of total rebate for singles over MLS (now) 28%
% of total rebate for singles over MLS (proposed) 12%

Drop-Outs - Further Impact on PHI and also effect on MLS

PHI Price Elasticity	-0.2	% change in price (based on 30 pc base rebate) up to 100/200K % change in PHI demand	14.3%
Singles Over MLS	668,825	28%	6,968
Couples Over MLS	521,411	21%	5,784
		singles drop out - overall	6,968
		couples drop out - overall	5,784
		singles drop out - still part rebate	6,968
		couples drop out - still part rebate	5,784
Singles MLS to \$90K	243,873		
Singles MLS to \$100K	342,273		
Couples MLS to \$180K	202,429		
Couples MLS to \$200K	276,683		
Singles \$90K to \$120K	222,169		
Couples \$180K to \$240K	161,596		
		additional PHI save from drop outs due to lower rebate (\$m)	7
		additional MLS on assessment	15
Assumed avg income for those who drop out (between MLS and 100/200K ranges)			
Singles	80,000		
Couples	160,000		
Assumed average MLS bill for new drop outs (still charge 1% up to 100/200K)			
Singles	800		
Couples	1,600		
		Outyears growth	2009-10
			2010-11
			2011-12
			2012-13
			2013-14
			2014-15
		Outyears growth	2009-10
Singles Over MLS			2010-11
Aged less than 65	620,654	93%	2011-12
Aged 65-69	13,627	2%	2012-13
Aged 70+	34,543	5%	2013-14
Total	668,825		2014-15
Couples Over MLS			2009-10
Aged less than 65	482,782	93%	2010-11
Aged 65-69	17,977	3%	2011-12
Aged 70+	20,651	4%	2012-13
Total	521,411		2013-14
			2014-15
PHIAC overall data		Couples at all incomes	
Aged less than 65	#REF!	86.3%	
Aged 65-69	#REF!	6.1%	
Aged 70+	#REF!	7.6%	



Note for the first step, change in PHI price will lead to drop-outs, as there is no commensurate increase in MLS.
 For the second step, net PHI cost will increase by 29% (from 70c in dollar to 90c in dollar). However, cost of not having PHI will also increase by 25% (MLS up from 1% to 1.25%).
 For the third step, net PHI cost will increase by 43% (from 70c in dollar to 100c in dollar). However, cost of not having PHI will also increase by 50% (MLS up from 1% to 1.5%).
 Therefore, drop-outs only assumed to occur in first step under this proposal.

75-90	150-180	2.9%
90-120	180-240	4.7%
120 over	240 over	6.7%

Assumed shift into PHI for those facing 2% MLS **80%**

1011 MLS - singles

mIsinc1011	medsur1011E		
	Mean	SumWgt	Sum
\$75,001-\$90,000	744	95,350	70,958,975
\$90,001-\$100,000			
\$100,001-\$120,000			
\$120,001&over	859	24,858	21,360,979
All	978	28,969	28,341,045
	1,484	29,208	43,354,060
	919	178,384	164,015,059

1011 MLS - families

mIsinc1011	medsur1011E		
	Mean	SumWgt	Sum
\$150,001-\$180,000			
\$180,001-\$200,000	780	67,007	52,252,976
\$200,001-\$240,000			
\$240,001&over	886	18,861	16,720,364
All	1,001	15,709	15,731,772
	1,709	15,406	26,330,852
	949	116,983	111,035,964

Rate protection - normal	92%
Rate protect on extra pre pay 1st year assume double	83%
Rate protection - advance pre-pay second year assume normal	100%
Mid year start	52%

Benchmarking checks				
		PHI Save	*PHI Rebate Cost*	save as % of aggregate rebate
Nov 2, 2009 version	2010 11	636	4619	13.8%
	2011 12	668	4898	13.6%
Mar 5, 2010 version	2010 11	661	4804	13.8%
	2011 12	694	5151	13.5%

PHI rebate cost figures in cells B3 to B7
 PHI save figures in cells L140 to L143
 (i.e. before any consideration of rate protection)

Old MLS (\$m)	275
New MLS (\$m)	330
Change	55
75-90K singles and 150-180K couples	
Old MLS (\$m)	123
New MLS (\$m)	123
90-120K singles and 180-240K couples	
Old MLS (\$m)	82
New MLS (\$m)	103
120K+ singles and 240K+ couples	
Old MLS (\$m)	70
New MLS (\$m)	105

Note disregard 2010-11 due to delay in implementation

Note disregard 2009-10 due to delay in implementation
 Note disregard 2010-11 due to delay in implementation

Note disregard 2009-10 due to delay in implementation
 Note disregard 2010-11 due to delay in implementation

Private Health Insurance Rebate & Medicare levy surcharge according to Tier

Additional Savings Measure

Tier	Income Category	Rebate Level - Under 65 years	Rebate Level - 65-69 years	Rebate Level - 70 years	MLS Rate
No Tier	\$75,000/\$150,000 or less	30%	35%	40%	0.00
Tier 1	\$75,001-\$90,000/\$150,001-\$180,000	20%	25%	30%	1.00
Tier 2	\$90,001-\$120,000/\$180,001-\$240,000	10%	15%	20%	1.25
Tier 3	\$120,001/\$240,001 or more	0%	0%	0%	1.50

NOTE:

Actual income thresholds will be indexed for consistency as MLS income threshold is indexed annually (eg. \$75k to \$80k, \$90k to \$95k, \$120k to 125k)

Original Measure

Tier	Income Category	Rebate Level - Under 65 years	Rebate Level - 65-69 years	Rebate Level - 70 years	MLS Rate
No Tier	\$75,000/\$150,000 or less	30%	35%	40%	0.00
Tier 1	\$75,001-\$90,000/\$150,001-\$180,000	20%	25%	30%	1.00
Tier 2	\$90,001-\$120,000/\$180,001-\$240,000	10%	15%	20%	1.25
Tier 3	\$120,001/\$240,001 or more	0%	0%	0%	1.50

NOTE:

Actual income thresholds will be indexed for consistency as MLS income threshold is indexed annually (eg. \$75k to \$80k, \$90k to \$95k, \$120k to 125k)

Rebate received by singles and couples

Rebate Singles/Couples \$150k/\$300k

Item	Statistic
PHI Rebate	\$ 4,199,541,000
Rebate received by all singles	\$ 1,406,618,074
Rebate received by all couples	\$ 3,054,562,590
Rebate received by all singles and couples	\$ 4,461,180,664
Proportion of rebate received by all singles	32%
Proportion of rebate received by all couples	68%
Rebate received by singles that goes to singles earning \$150k and over	\$ 70,881,660
Rebate received by couples that goes to couples earning \$300k and over	\$ 113,872,199
Proportion of rebate received by singles that goes to singles earning \$150k and over	5.0%
Proportion of rebate received by couples that goes to couples earning \$300k and over	3.7%
Rebate received by singles earning \$150k and over	\$ 66,724,587
Rebate received by couples earning \$300k and over	\$ 107,193,813
Rebate received by singles/couples earning \$150k/\$300k and over	\$ 173,918,400

Rebate Singles/Couples \$120k/\$240k

Item	Statistic
PHI Rebate	\$ 4,199,541,000
Rebate received by all singles	\$ 1,406,618,074
Rebate received by all couples	\$ 3,054,562,590
Rebate received by all singles and couples	\$ 4,461,180,664
Proportion of rebate received by all singles	32%
Proportion of rebate received by all couples	68%
Rebate received by singles that goes to singles earning \$120k and over	\$ 121,808,485
Rebate received by couples that goes to couples earning \$240k and over	\$ 187,871,296
Proportion of rebate received by singles that goes to singles earning \$120k and over	8.7%
Proportion of rebate received by couples that goes to couples earning \$240k and over	6.2%
Rebate received by singles earning \$120k and over	\$ 114,664,652
Rebate received by couples earning \$240k and over	\$ 176,853,006
Rebate received by singles/couples earning \$120k/\$240k and over	\$ 291,517,658

\$115 million

Rebate Singles/Couples \$75k/\$150k

Item	Statistic
PHI Rebate	\$ 4,199,541,000
Rebate received by all singles	\$ 1,406,618,074
Rebate received by all couples	\$ 3,054,562,590
Rebate received by all singles and couples	\$ 4,461,180,664
Proportion of rebate received by all singles	32%
Proportion of rebate received by all couples	68%
Rebate received by singles that goes to singles earning \$75k and over	\$ 397,301,504
Rebate received by couples that goes to couples earning \$150k and over	\$ 618,457,063
Proportion of rebate received by singles that goes to singles earning \$75k and over	28.2%
Proportion of rebate received by couples that goes to couples earning \$150k and over	20.2%
Rebate received by singles earning \$75k and over	\$ 374,000,535
Rebate received by couples earning \$150k and over	\$ 582,185,746
Rebate received by singles/couples earning \$75k/\$150k and over	\$ 956,186,281

Sources:

Portfolio Additional Estimates Statements 2009-10, Health & Ageing Portfolio, p.79, Table 2.9.1
PHI Incentives Tiers modelling, 'cost estimates' and 'briefings' worksheet

Number Singles/Couples \$150k/\$300k

Item	Statistic
Number all singles	2,353,109
Number all couples	2,534,260
Number all singles and couples	4,887,369
Number singles earning \$150k and over	117,282
Number couples earning \$300k and over	95,255
Proportion singles earning \$150k and over of all singles with PHI cover	5.0%
Proportion couples earning \$300k and over of all couples with PHI cover	3.8%
Proportion singles earning \$150k and over of all singles with PHI cover	2.4%
Proportion couples earning \$300k and over of all couples with PHI cover	1.9%
Proportion singles/couples earning \$150k/\$300k and over of all PHI memberships	4.3%

Briefings

Number Singles/Couples \$120k/\$240k

Item	Statistic
Number all singles	2,353,109
Number all couples	2,534,260
Number all singles and couples	4,887,369
Number singles earning \$120k and over	202,783
Number couples earning \$240k and over	204,887
Proportion singles earning \$120k and over of all singles with PHI cover	8.6%
Proportion couples earning \$240k and over of all couples with PHI cover	8.1%
Proportion singles earning \$120k and over of all PHI memberships	4.1%
Proportion couples earning \$240k and over of all PHI memberships	4.2%
Proportion singles/couples earning \$120k/\$240k and over of all PHI memberships	8.3%
People in singles earning \$120k and over with PHI cover	202,783
People in couples earning \$240k and over with PHI cover	635,150
People in singles/couples earning \$120k/\$240k and over with PHI cover	837,932

4%

Number Singles/Couples \$75k/\$150k

Item	Statistic
Number all singles	2,353,109
Number all couples	2,534,260
Number all singles and couples	4,887,369
Number singles earning \$75k and over	668,825
Number couples earning \$150k and over	521,411
Proportion singles earning \$75k and over of all singles with PHI cover	28.4%
Proportion couples earning \$150k and over of all couples with PHI cover	20.6%
Proportion singles earning \$75k and over of all PHI memberships	13.7%
Proportion couples earning \$150k and over of all PHI memberships	10.7%
Proportion singles/couples earning \$75k/\$150k and over of all PHI memberships	24.4%

Sources:

PHI Incentives Tiers modelling, 'cost estimates' worksheet

	PHI Rebate Cost (\$m)	After MLS policy revision
2008 09	3,875	4,016
2009 10		4,127
2010 11		
2011 12		
		S47

Note: Finance suggesting \$3.875m for 0809 total PHI outlays

	Average premium	Net premium paid
Singles	1,648	1,153
Couples	3,295	2,307

Singles aged < 65 with PHI

	PHI		PHIAC		DoHA Avg Premium	Current 30% Rebate Per Policy	Total
	No. People	Benchmarked					
sinainc1011 under \$50,000	936,628	#REF!	#REF!	#REF!	1,648	494	#REF!
\$50,001-\$75,000	501,351	#REF!	#REF!	#REF!	1,648	494	#REF!
\$75,001-\$90,000	220,420	#REF!	#REF!	#REF!	1,648	494	#REF!
\$90,001-\$100,000	83,815	#REF!	#REF!	#REF!	1,648	494	#REF!
\$100,001-\$120,000	110,295	#REF!	#REF!	#REF!	1,648	494	#REF!
\$120,001-\$150,000	74,804	#REF!	#REF!	#REF!	1,648	494	#REF!
\$150,001&over	96,909	#REF!	#REF!	#REF!	1,648	494	#REF!
All	2,029,022	#REF!	#REF!	#REF!			#REF!

Couples aged < 65 with PHI

	PHI		PHIAC		DoHA Avg Premium	Current 30% Rebate Per Policy	Total
	No. People	Benchmarked					
coupinc1011 under \$100,000	1,430,571	#REF!	#REF!	#REF!	3,295	989	#REF!
\$100,001-\$150,000	787,998	#REF!	#REF!	#REF!	3,295	989	#REF!
\$150,001-\$180,000	248,162	#REF!	#REF!	#REF!	3,295	989	#REF!
\$180,001-\$200,000	90,576	#REF!	#REF!	#REF!	3,295	989	#REF!
\$200,001-\$240,000	104,929	#REF!	#REF!	#REF!	3,295	989	#REF!
\$240,001-\$300,000	73,882	#REF!	#REF!	#REF!	3,295	989	#REF!
\$300,001&over	111,142	#REF!	#REF!	#REF!	3,295	989	#REF!
All	2,847,080	#REF!	#REF!	#REF!			#REF!

Singles aged 65-69.5 with PHI

	PHI		PHIAC		DoHA Avg Premium	Current 35% Rebate Per Policy	Total
	No. People	Benchmarked					
sinainc1011 under \$50,000	38,148	#REF!	#REF!	#REF!	1,648	577	#REF!
\$50,001-\$75,000	10,983	#REF!	#REF!	#REF!	1,648	577	#REF!
\$75,001-\$90,000	3,818	#REF!	#REF!	#REF!	1,648	577	#REF!
\$90,001-\$100,000	1,581	#REF!	#REF!	#REF!	1,648	577	#REF!
\$100,001-\$120,000	2,120	#REF!	#REF!	#REF!	1,648	577	#REF!
\$120,001-\$150,000	1,826	#REF!	#REF!	#REF!	1,648	577	#REF!
\$150,001&over	3,834	#REF!	#REF!	#REF!	1,648	577	#REF!
All	60,106	#REF!	#REF!	#REF!			#REF!

Couples aged 65-69.5 with PHI

	PHI		PHIAC		DoHA Avg Premium	Current 35% Rebate Per Policy	Total
	No. People	Benchmarked					
coupinc1011 under \$100,000	155,550	#REF!	#REF!	#REF!	3,295	1,153	#REF!
\$100,001-\$150,000	23,850	#REF!	#REF!	#REF!	3,295	1,153	#REF!
\$150,001-\$180,000	7,447	#REF!	#REF!	#REF!	3,295	1,153	#REF!
\$180,001-\$200,000	2,943	#REF!	#REF!	#REF!	3,295	1,153	#REF!
\$200,001-\$240,000	4,179	#REF!	#REF!	#REF!	3,295	1,153	#REF!
\$240,001-\$300,000	3,167	#REF!	#REF!	#REF!	3,295	1,153	#REF!
\$300,001&over	5,667	#REF!	#REF!	#REF!	3,295	1,153	#REF!
All	202,812	#REF!	#REF!	#REF!			#REF!

Singles aged 70+ with PHI

	PHI		PHIAC		DoHA Avg Premium	Current 40% Rebate Per Policy	Total
	No. People	Benchmarked					
singleinc1011 under \$50,000	94,751	#REF!	#REF!	#REF!	1,648	650	#REF!
\$50,001-\$75,000	24,088	#REF!	#REF!	#REF!	1,648	650	#REF!
\$75,001-\$90,000	8,202	#REF!	#REF!	#REF!	1,648	650	#REF!
\$90,001-\$100,000	3,509	#REF!	#REF!	#REF!	1,648	650	#REF!
\$100,001-\$120,000	5,440	#REF!	#REF!	#REF!	1,648	650	#REF!
\$120,001-\$150,000	4,792	#REF!	#REF!	#REF!	1,648	650	#REF!
\$150,001&over	10,943	#REF!	#REF!	#REF!	1,648	650	#REF!
All	151,714	#REF!	#REF!	#REF!			#REF!

Couples aged 70+ with PHI

	PHI		PHIAC		DoHA Avg Premium	Current 40% Rebate Per Policy	Total
	No. People	Benchmarked					
coupinc1011 under \$100,000	197,819	#REF!	#REF!	#REF!	3,295	1,318	#REF!
\$100,001-\$150,000	24,551	#REF!	#REF!	#REF!	3,295	1,318	#REF!
\$150,001-\$180,000	7,915	#REF!	#REF!	#REF!	3,295	1,318	#REF!
\$180,001-\$200,000	3,146	#REF!	#REF!	#REF!	3,295	1,318	#REF!
\$200,001-\$240,000	4,594	#REF!	#REF!	#REF!	3,295	1,318	#REF!
\$240,001-\$300,000	4,034	#REF!	#REF!	#REF!	3,295	1,318	#REF!
\$300,001&over	7,185	#REF!	#REF!	#REF!	3,295	1,318	#REF!
All	249,255	#REF!	#REF!	#REF!			#REF!

Total Singles with PHI	2,240,842	#REF!
Total Couples with PHI	3,299,127	#REF!
PHIAC Dec 08 data		Bmark factor
Singles	#REF!	#REF!
Couples	#REF!	#REF!

Number of people to get a subsidy #REF!
 Number of people to get no subsidy #REF!

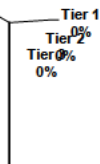
Singles Over MLS	#REF!	#REF!
Couples Over MLS	#REF!	#REF!

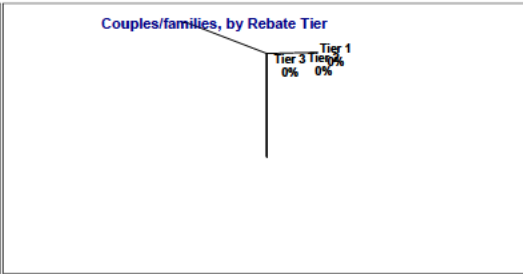
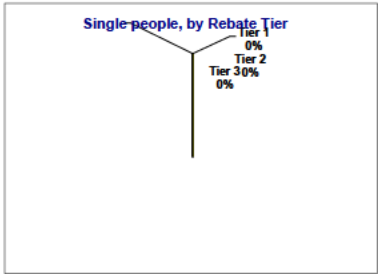
	Singles	Singles	Couples	All tax filers
No Tier	#REF!	#REF!	#REF!	#REF!
Tier 1	#REF!	#REF!	#REF!	#REF!
Tier 2	#REF!	#REF!	#REF!	#REF!
Tier 3	#REF!	#REF!	#REF!	#REF!
Total	#REF!	#REF!	#REF!	#REF!

Proportion all tax filers

Tiers 1-3 #REF!

All people, by Rebate Tier





Estimates of private health insurance rebate net impact including reduced rebate, dropouts, and rate protection effect due to early purchase to temporarily avoid reduced rebate

Rebate impact in 2009-10

	Number Of Policies	Average Rebate Per Policy	Rebate Savings
Estimated drop in singles	-6,968	\$ 528	-\$ 3,675,977
Estimated drop in couples	-5,784	\$ 1,055	-\$ 6,102,546
Total			-\$ 9,778,523

Rebate impact 2009-10 to 2012-13

	2009-10	2010-11	2011-12	2012-13	2013-14	TOTAL
	\$m	\$m	\$m	\$m	\$m	\$m
Rebate savings from drop outs		0.000				
Cost shifting of early purchase of PHI to receive maximum rebate	0.000					
Savings in dropped rebate		0.000				
Net rebate impact	0.000					

s47

Grow h rate

s47

PHI membership data

Note: This page links to PHIA Upload worksheet

As at 31 December 2010 (PHIA A Report, December 2010 quarter)

All figures in '000	Australia
Total hospital treatment cover	
Policies	
Single	2,353
Family	1,316
Single parent	118
Couples	1,100
2+ persons no adults	0
3+ adults	0
Total	4,888
People	
Single	2,353
Family	5,239
Single parent	324
Couples	2,200
2+ persons no adults	1
3+ adults	0
Total	10,118
Calculations	
People per policy - family	4.0
People per policy - single parent	2.7
People per policy - couple	2.0
Dependents per family	10,478
Dependents per single parent	551
Dependents per family and single parent	11,028
Weighted average dependents per family or couple policy	1.4
Discounted average dependent to equal PHIA total figure	1.1

Jun-09

2353
1316
118
1100
0
0
4888

10,118 June 2009 number of persons insured

2,353 Singles
2,534 Couples/Families

LUCode Male s0481 s0482 s0483 s0484 s0485 s0486 s0487 s0488 s0489 s0490 s0491 s0492 s0493 s0494 s0495 s0496 s0497 s0498 s0499 s0500 s0501
LUCode Female s0691 s0692 s0693 s0694 s0695 s0696 s0697 s0698 s0699 s0700 s0701 s0702 s0703 s0704 s0705 s0706 s0707 s0708 s0709 s0710 s0711

Total Hospital Treatment (including Hospital Treatment Only and Hospital Treatment and General Treatment Combined) (PHIA, A Report, December 2010)

QUARTER	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95+	Total
Total	588,882	594,979	605,015	644,887	533,041	512,309	660,620	739,929	744,888	777,555	791,050	754,413	706,070	504,791	361,762	259,455	199,237	95,457	33,663	9,519	10,117,522
Male	303,267	305,929	310,927	331,102	261,490	232,246	309,449	350,984	355,232	373,879	380,457	363,816	345,159	249,368	176,716	121,603	88,972	30,900	8,514	1,949	4,901,959
Female	285,615	289,050	294,088	313,785	271,551	280,063	351,171	388,945	389,656	403,676	410,593	390,597	360,911	255,423	185,046	137,852	110,265	64,557	25,149	7,570	5,215,563

Up to 65 8,653,638 85.5%
65-69 504,791 5.0%
70 and over 959,093 9.5%
Total 10,117,522 100.0%

This discounted figure was required as the the total estimated number of people with PHI using 1.4 was higher than the total number provided by PHIA Sep 2009 quarter report

How many people with general treatment only products may drop out

Singles	Couples	Price increase in proportional terms	Estimated drop out %	Estimated # people with general treatment only	Estimated # of general treatment only drop-outs	For Briefings
75-90	150-180	14.3%	-0.86%	124,217	- 1,065	
90-120	180-240	28.6%	-1.71%	102,871	- 1,764	
120 over	240 over	42.9%	-2.57%	98,356	- 2,529	
TOTAL					- 5,357	5,000

Assumptions

The proportion of people with ancillary cover is the same as those with hospital cover.

Price elasticity for general treatment cover is scaled down from price elasticity for hospital and general combined cover, to reflect lower dollar impact of means test

1,602,657	General Treatment Only Cover persons
#REF!	Total Hospital Treatment Cover insured persons
#REF!	General treatment cover as % of complying hospital cover
-0.2	Hospital treatment cover price elasticity
30%	Price of general treatment cover as % of hospital and general combined cover
-0.06	General treatment cover price elasticity - scaled down to reflect lower dollar impact relative to total disposable income for single/ family than occurs for combined cover
99.7%	Percentage remaining with general treatment only after drop outs

Private Health Insurance Tiers compared to tax cuts

Tax saving compared to previous year by level of taxable income

Taxable income	Income Year (pa)		Net Gain compared to 2008-09	
	2009-10	2010-11	2009-10	2010-11
\$20,000	150	150	150	\$300
\$25,000	150	150	150	\$300
\$30,000	150	150	150	\$300
\$35,000	300	150	300	\$450
\$40,000	300	450	300	\$750
\$45,000	300	450	300	\$750
\$50,000	300	450	300	\$750
\$55,000	300	450	300	\$750
\$60,000	300	450	300	\$750
\$65,000	150	400	150	\$550
\$70,000	150	300	150	\$450
\$75,000	150	300	150	\$450
\$80,000	150	300	150	\$450
\$90,000	350	400	350	\$750
\$100,000	550	500	550	\$1,050
\$110,000	750	600	750	\$1,350
\$120,000	950	700	950	\$1,650
\$130,000	1,150	800	1,150	\$1,950
\$140,000	1,350	900	1,350	\$2,250
\$150,000	1,550	1,000	1,550	\$2,550
\$160,000	1,750	1,100	1,750	\$2,850
\$170,000	1,950	1,200	1,950	\$3,150
\$180,000	2,150	1,300	2,150	\$3,450
\$200,000	2,150	1,300	2,150	\$3,450
\$250,000	2,150	1,300	2,150	\$3,450

Notes:

Net gain for 2010-11 compared to 2009-10 indicates how much better off per year taxpayer at particular taxable income would be after tax cuts implemented

For taxpayers on lower incomes the Low Income Tax Offset assists in making them better off (eg. at an income of \$25,000, the individual is \$300 per annum better off under 2010-11 scales by virtue of the fact that LITO will be \$1,500 in 2010-11, compared to \$1,200 in 2008-09

For taxpayers on higher incomes the change in the income thresholds may assist in making them better off (eg. at an income of \$80,000 the individual is \$450 per annum better off under 2010-11 scales, as a consequence of the 30 per cent tax threshold increasing from \$34,001 to \$37,001) Assuming that income for MLS purposes is broadly equal to taxable income the dollar loss of rebate aligns at each income level with the net gain; the tax gain will be bigger in every instance (assuming the dollar rebate losses for singles are based on average premiums and are therefore \$0/ \$167/ \$333/ \$500 at each of the 'steps'; double for couples) It is conceivable to find a case where the tax cut is not greater than the PHI rebate loss, but for that to happen the affected individual would have to have a taxable income in the \$70,000-\$80,000 range (\$450 per annum tax cut) but also an income for MLS purposes of greater than \$120,000 (to lose the \$500 per annum rebate on an average single premium); this would only occur in rare cases where the individual has very substantial reportable fringe benefits, salary sacrificed superannuation contributions, etc. that are not included in taxable income but are included in MLS income

Tax saving compared to premium increase

Taxable income	Net Gain 2010-11 compared to 2008-09	PHI Cost Increase	Amount taxpayer still better off by	Private Health Insurance Tier
\$20,000	\$300	\$0	\$300	Unchanged
\$25,000	\$300	\$0	\$300	Unchanged
\$30,000	\$300	\$0	\$300	Unchanged
\$35,000	\$450	\$0	\$450	Unchanged
\$40,000	\$750	\$0	\$750	Unchanged
\$45,000	\$750	\$0	\$750	Unchanged
\$50,000	\$750	\$0	\$750	Unchanged
\$55,000	\$750	\$0	\$750	Unchanged
\$60,000	\$750	\$0	\$750	Unchanged
\$65,000	\$550	\$0	\$550	Unchanged
\$70,000	\$450	\$0	\$450	Unchanged
\$75,000	\$450	\$184	\$266	Tier 1
\$80,000	\$450	\$184	\$266	Tier 1
\$90,000	\$750	\$367	\$383	Tier 2
\$100,000	\$1,050	\$367	\$683	Tier 2
\$110,000	\$1,350	\$367	\$983	Tier 2
\$120,000	\$1,650	\$551	\$1,099	Tier 3
\$130,000	\$1,950	\$551	\$1,399	Tier 3
\$140,000	\$2,250	\$551	\$1,699	Tier 3
\$150,000	\$2,550	\$551	\$1,999	Tier 3
\$160,000	\$2,850	\$551	\$2,299	Tier 3
\$170,000	\$3,150	\$551	\$2,599	Tier 3
\$180,000	\$3,450	\$551	\$2,899	Tier 3
\$200,000	\$3,450	\$551	\$2,899	Tier 3
\$250,000	\$3,450	\$551	\$2,899	Tier 3

Notes:

This is for internal distribution only as for public distribution we base the PHI cost increase on 2007-08 PHIA data rather than indexing it to 2010-11 as this would indicate the size of premium increases allocated to the contingency reserve

This is for singles aged under 65; double both net gain and premium increase for couples; people aged 65 and over will generally benefit by around the same amount

Initial announcements about taxpayers being better off was based on average premium of \$1,660 (estimate for 2008-09) but better reference point is \$1,891 (estimate for 2010-01)

Average rebate paid on typical private health insurance products for means test proposal

Singles

Item / Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total product cost for consumer before rebate deducted						
Total price	\$ 1,589	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,940	s47
Total price for people aged under 65	\$ 1,589	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,940	
Total price for people aged 65 to 69	\$ 1,589	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,940	
Total price for people aged 70 and over	\$ 1,589	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,940	
Total price for people aged under 65 and earning less than \$75k/\$150k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged 65 to 69 and earning less than \$75k/\$150k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged 70 and over and earning less than \$75k/\$150k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged under 65 and earning \$120k/\$240k and over	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged 65 to 69 and earning \$120k/\$240k and over	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Total price for people aged 70 and over and earning \$120k/\$240k and over	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Rebate amount received by consumer						
Rebate for people aged under 65	\$ 477	\$ 494	\$ 521	\$ 551	\$ 582	s47
Rebate for people aged 65 to 69	\$ 556	\$ 577	\$ 608	\$ 643	\$ 679	
Rebate for people aged 70 and over	\$ 635	\$ 659	\$ 695	\$ 735	\$ 776	
Rebate for people aged under 65 and earning less than \$75k/\$150k	\$ -	\$ 521	\$ 551	\$ 582	\$ 619	
Rebate for people aged 65 to 69 and earning less than \$75k/\$150k	\$ -	\$ 608	\$ 643	\$ 679	\$ 719	
Rebate for people aged 70 and over and earning less than \$75k/\$150k	\$ -	\$ 695	\$ 735	\$ 776	\$ 821	
Rebate for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k	\$ -	\$ 521	\$ 551	\$ 582	\$ 619	
Rebate for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k	\$ -	\$ 608	\$ 643	\$ 679	\$ 719	
Rebate for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k	\$ -	\$ 695	\$ 735	\$ 776	\$ 821	
Rebate for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k	\$ -	\$ 521	\$ 551	\$ 582	\$ 619	
Rebate for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k	\$ -	\$ 608	\$ 643	\$ 679	\$ 719	
Rebate for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k	\$ -	\$ 695	\$ 735	\$ 776	\$ 821	
Rebate for people aged under 65 and earning \$120k/\$240k and over	\$ -	\$ 521	\$ 551	\$ 582	\$ 619	
Rebate for people aged 65 to 69 and earning \$120k/\$240k and over	\$ -	\$ 608	\$ 643	\$ 679	\$ 719	
Rebate for people aged 70 and over and earning \$120k/\$240k and over	\$ -	\$ 695	\$ 735	\$ 776	\$ 821	
Effective product cost for consumer after rebate						
Effective price for people aged under 65	\$ 1,112	\$ 1,153	\$ 1,216	\$ 1,286	\$ 1,358	s47
Effective price for people aged 65 to 69	\$ 1,033	\$ 1,071	\$ 1,129	\$ 1,194	\$ 1,261	
Effective price for people aged 70 and over	\$ 953	\$ 989	\$ 1,042	\$ 1,102	\$ 1,164	
Effective price for people aged under 65 and earning less than \$75k/\$150k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged 65 to 69 and earning less than \$75k/\$150k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged 70 and over and earning less than \$75k/\$150k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged under 65 and earning \$120k/\$240k and over	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged 65 to 69 and earning \$120k/\$240k and over	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Effective price for people aged 70 and over and earning \$120k/\$240k and over	\$ 1,648	\$ 1,737	\$ 1,837	\$ 1,837	\$ 1,940	
Reduced amount of rebate received by consumer						
Reduced amount of rebate for people aged under 65						
Reduced amount of rebate for people aged 65 to 69						
Reduced amount of rebate for people aged 70 and over						
Reduced amount of rebate for people aged under 65 and earning less than \$75k/\$150k				\$ -	\$ -	s47
Reduced amount of rebate for people aged 65 to 69 and earning less than \$75k/\$150k				\$ -	\$ -	
Reduced amount of rebate for people aged 70 and over and earning less than \$75k/\$150k				\$ -	\$ -	
Reduced amount of rebate for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k				\$ 184	\$ 194	
Reduced amount of rebate for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k				\$ 367	\$ 388	
Reduced amount of rebate for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k				\$ 367	\$ 388	
Reduced amount of rebate for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k				\$ 367	\$ 388	
Reduced amount of rebate for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k				\$ 367	\$ 388	
Reduced amount of rebate for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k				\$ 367	\$ 388	
Reduced amount of rebate for people aged under 65 and earning \$120k/\$240k and over				\$ 551	\$ 582	
Reduced amount of rebate for people aged 65 to 69 and earning \$120k/\$240k and over				\$ 643	\$ 679	
Reduced amount of rebate for people aged 70 and over and earning \$120k/\$240k and over				\$ 735	\$ 776	
Increase weekly premium cost to consumer						
Increase weekly premium cost for people aged under 65						
Increase weekly premium cost for people aged 65 to 69						
Increase weekly premium cost for people aged 70 and over						
Increase weekly premium cost for people aged under 65 and earning less than \$75k/\$150k				\$ -	\$ -	s47
Increase weekly premium cost for people aged 65 to 69 and earning less than \$75k/\$150k				\$ -	\$ -	
Increase weekly premium cost for people aged 70 and over and earning less than \$75k/\$150k				\$ -	\$ -	
Increase weekly premium cost for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k				\$ 4	\$ 4	
Increase weekly premium cost for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k				\$ 7	\$ 7	
Increase weekly premium cost for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k				\$ 7	\$ 7	
Increase weekly premium cost for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k				\$ 7	\$ 7	
Increase weekly premium cost for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k				\$ 7	\$ 7	
Increase weekly premium cost for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k				\$ 7	\$ 7	
Increase weekly premium cost for people aged under 65 and earning \$120k/\$240k and over				\$ 11	\$ 11	
Increase weekly premium cost for people aged 65 to 69 and earning \$120k/\$240k and over				\$ 12	\$ 13	
Increase weekly premium cost for people aged 70 and over and earning \$120k/\$240k and over				\$ 14	\$ 15	

Couples/Families

Item / Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total product cost for consumer before rebate deducted						
Total price	\$ 3,177	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	s47
Total price for people aged under 65	\$ 3,177	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 65 to 69	\$ 3,177	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 70 and over	\$ 3,177	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged under 65 and earning less than \$75k/\$150k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 65 to 69 and earning less than \$75k/\$150k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 70 and over and earning less than \$75k/\$150k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged under 65 and earning \$120k/\$240k and over	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 65 to 69 and earning \$120k/\$240k and over	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Total price for people aged 70 and over and earning \$120k/\$240k and over	\$ 3,295	\$ 3,295	\$ 3,474	\$ 3,675	\$ 3,880	
Rebate						
Rebate for people aged under 65	\$ 953	\$ 989	\$ 1,042	\$ 1,102	\$ 1,164	s47
Rebate for people aged 65 to 69	\$ 1,112	\$ 1,153	\$ 1,216	\$ 1,286	\$ 1,358	
Rebate for people aged 70 and over	\$ 1,271	\$ 1,318	\$ 1,390	\$ 1,470	\$ 1,552	
Rebate for people aged under 65 and earning less than \$75k/\$150k	\$ -	\$ -	\$ 1,042	\$ 1,102	\$ 1,164	
Rebate for people aged 65 to 69 and earning less than \$75k/\$150k	\$ -	\$ -	\$ 1,216	\$ 1,286	\$ 1,358	
Rebate for people aged 70 and over and earning less than \$75k/\$150k	\$ -	\$ -	\$ 1,390	\$ 1,470	\$ 1,552	
Rebate for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k	\$ -	\$ -	\$ 1,042	\$ 735	\$ 776	
Rebate for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k	\$ -	\$ -	\$ 1,216	\$ 919	\$ 970	
Rebate for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k	\$ -	\$ -	\$ 1,390	\$ 1,102	\$ 1,164	
Rebate for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k	\$ -	\$ -	\$ 1,042	\$ 367	\$ 388	
Rebate for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k	\$ -	\$ -	\$ 1,216	\$ 551	\$ 582	
Rebate for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k	\$ -	\$ -	\$ 1,390	\$ 735	\$ 776	
Rebate for people aged under 65 and earning \$120k/\$240k and over	\$ -	\$ -	\$ 1,042	\$ -	\$ -	
Rebate for people aged 65 to 69 and earning \$120k/\$240k and over	\$ -	\$ -	\$ 1,216	\$ -	\$ -	
Rebate for people aged 70 and over and earning \$120k/\$240k and over	\$ -	\$ -	\$ 1,390	\$ -	\$ -	
Effective product cost for consumer after rebate						
Effective price for people aged under 65	\$ 2,224	\$ 2,307	\$ 2,432	\$ 2,572	\$ 2,716	s47
Effective price for people aged 65 to 69	\$ 2,065	\$ 2,142	\$ 2,258	\$ 2,389	\$ 2,522	
Effective price for people aged 70 and over	\$ 1,906	\$ 1,977	\$ 2,084	\$ 2,205	\$ 2,328	
Effective price for people aged under 65 and earning less than \$75k/\$150k	\$ 3,295	\$ 3,295	\$ 2,432	\$ 2,572	\$ 2,716	
Effective price for people aged 65 to 69 and earning less than \$75k/\$150k	\$ 3,295	\$ 3,295	\$ 2,258	\$ 2,389	\$ 2,522	
Effective price for people aged 70 and over and earning less than \$75k/\$150k	\$ 3,295	\$ 3,295	\$ 2,084	\$ 2,205	\$ 2,328	
Effective price for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k	\$ 3,295	\$ 3,295	\$ 2,432	\$ 2,940	\$ 3,104	
Effective price for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k	\$ 3,295	\$ 3,295	\$ 2,258	\$ 2,756	\$ 2,910	
Effective price for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k	\$ 3,295	\$ 3,295	\$ 2,084	\$ 2,572	\$ 2,716	
Effective price for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k	\$ 3,295	\$ 3,295	\$ 2,432	\$ 3,307	\$ 3,492	
Effective price for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k	\$ 3,295	\$ 3,295	\$ 2,258	\$ 3,124	\$ 3,298	
Effective price for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k	\$ 3,295	\$ 3,295	\$ 2,084	\$ 2,940	\$ 3,104	
Effective price for people aged under 65 and earning \$120k/\$240k and over	\$ 3,295	\$ 3,295	\$ 2,432	\$ 3,675	\$ 3,880	
Effective price for people aged 65 to 69 and earning \$120k/\$240k and over	\$ 3,295	\$ 3,295	\$ 2,258	\$ 3,675	\$ 3,880	
Effective price for people aged 70 and over and earning \$120k/\$240k and over	\$ 3,295	\$ 3,295	\$ 2,084	\$ 3,675	\$ 3,880	
Reduced amount of rebate received by consumer						
Reduced amount of rebate for people aged under 65						
Reduced amount of rebate for people aged 65 to 69						
Reduced amount of rebate for people aged 70 and over						
Reduced amount of rebate for people aged under 65 and earning less than \$75k/\$150k				\$ -	\$ -	
Reduced amount of rebate for people aged 65 to 69 and earning less than \$75k/\$150k				\$ -	\$ -	
Reduced amount of rebate for people aged 70 and over and earning less than \$75k/\$150k				\$ -	\$ -	
Reduced amount of rebate for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k				\$ 367	\$ 388	
Reduced amount of rebate for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k				\$ 367	\$ 388	
Reduced amount of rebate for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k				\$ 367	\$ 388	
Reduced amount of rebate for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k				\$ 735	\$ 776	
Reduced amount of rebate for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k				\$ 735	\$ 776	
Reduced amount of rebate for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k				\$ 735	\$ 776	
Reduced amount of rebate for people aged under 65 and earning \$120k/\$240k and over				\$ 1,102	\$ 1,164	
Reduced amount of rebate for people aged 65 to 69 and earning \$120k/\$240k and over				\$ 1,286	\$ 1,358	
Reduced amount of rebate for people aged 70 and over and earning \$120k/\$240k and over				\$ 1,470	\$ 1,552	
Increase weekly premium cost to consumer						
Increase weekly premium cost for people aged under 65						
Increase weekly premium cost for people aged 65 to 69						
Increase weekly premium cost for people aged 70 and over						
Increase weekly premium cost for people aged under 65 and earning less than \$75k/\$150k				\$ -	\$ -	s47
Increase weekly premium cost for people aged 65 to 69 and earning less than \$75k/\$150k				\$ -	\$ -	
Increase weekly premium cost for people aged 70 and over and earning less than \$75k/\$150k				\$ -	\$ -	
Increase weekly premium cost for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k				\$ 7	\$ 7	
Increase weekly premium cost for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k				\$ 7	\$ 7	
Increase weekly premium cost for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k				\$ 7	\$ 7	
Increase weekly premium cost for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k				\$ 14	\$ 15	
Increase weekly premium cost for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k				\$ 14	\$ 15	
Increase weekly premium cost for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k				\$ 14	\$ 15	
Increase weekly premium cost for people aged under 65 and earning \$120k/\$240k and over				\$ 21	\$ 22	
Increase weekly premium cost for people aged 65 to 69 and earning \$120k/\$240k and over				\$ 25	\$ 26	
Increase weekly premium cost for people aged 70 and over and earning \$120k/\$240k and over				\$ 28	\$ 30	

Rebate Levels

Item / Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Rebate for people aged under 65	30%	30%	30%	30%	30%	s47
Rebate for people aged 65 to 69	35%	35%	35%	35%	35%	
Rebate for people aged 70 and over	40%	40%	40%	40%	40%	
Rebate for people aged under 65 and earning less than \$75k/\$150k			30%	30%	30%	
Rebate for people aged 65 to 69 and earning less than \$75k/\$150k			35%	35%	35%	
Rebate for people aged 70 and over and earning less than \$75k/\$150k			40%	40%	40%	
Rebate for people aged under 65 and earning \$75k/\$150k to \$90k/\$180k			30%	20%	20%	
Rebate for people aged 65 to 69 and earning \$75k/\$150k to \$90k/\$180k			35%	25%	25%	
Rebate for people aged 70 and over and earning \$75k/\$150k to \$90k/\$180k			40%	30%	30%	
Rebate for people aged under 65 and earning \$90k/\$180k to \$120k/\$240k			30%	10%	10%	
Rebate for people aged 65 to 69 and earning \$90k/\$180k to \$120k/\$240k			35%	15%	15%	
Rebate for people aged 70 and over and earning \$90k/\$180k to \$120k/\$240k			40%	20%	20%	
Rebate for people aged under 65 and earning \$120k/\$240k and over			30%	0%	0%	
Rebate for people aged 65 to 69 and earning \$120k/\$240k and over			35%	0%	0%	
Rebate for people aged 70 and over and earning \$120k/\$240k and over			40%	0%	0%	

Premium Increase

Item / Year	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Industry Weighted Average Premium Increase	4.54%	4.94%	6.02%	5.78%	5.59%	s47

Total price to effective price adjustment taking into account rebate	70%
Annual/Weekly Conversion	52

NOTES:

Single Equivalent Units (SEU) are used as a standard measure, as the number of persons covered under a policy may vary; single, 2+persons no adults, single parent policies are counted as 1 SEU; couple, family, 3+adults are counted as 2 SEUs
 Average SEUs are calculated as the weighted average of the year's four quarterly averages
 Average total SEU is calculated using total hospital treatment policies plus general treatment only policies
 Premium increases take effect on 1 April of each year (ie. 6.02% industry weighted average premium increase for the 2009 premium round should apply to the 2009-10 financial year as it is in effect from 1 April 2009 to 31 March 2010)

SOURCES:

Private Health Insurance Administration Council, Operations of the Private Health Insurers Annual Report 2007-08; Table p.49, Table p.81
 Private Health Insurance Administration Council, Operations of the Private Health Insurers Annual Report 2009-10

Typical cost of private health insurance products - PHIA Single Equivalent Units Data

Family Policies

Item / Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
SEUs	2	2	2	2	2	2	2	2
Products								
Hospital	\$ 1,662	\$ 1,792	\$ 1,968	\$ 2,147	\$ 2,352	\$ 2,502	\$ 2,592	\$ 2,693
General	\$ 773	\$ 835	\$ 895	\$ 934	\$ 958	\$ 974	\$ 946	\$ 945
Combined	\$ 2,091	\$ 2,269	\$ 2,462	\$ 2,650	\$ 2,863	\$ 3,023	\$ 3,177	\$ 3,295
Rebate								
Hospital	\$ 499	\$ 538	\$ 590	\$ 644	\$ 706	\$ 751	\$ 778	\$ 808
General	\$ 232	\$ 251	\$ 269	\$ 280	\$ 288	\$ 292	\$ 284	\$ 283
Combined	\$ 627	\$ 681	\$ 739	\$ 795	\$ 859	\$ 907	\$ 953	\$ 989

Single Policies

Item / Year	2002-03	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Products								
Hospital	\$ 831	\$ 896	\$ 984	\$ 1,073	\$ 1,176	\$ 1,251	\$ 1,296	\$ 1,347
General	\$ 386	\$ 418	\$ 448	\$ 467	\$ 479	\$ 487	\$ 473	\$ 472
Combined	\$ 1,045	\$ 1,134	\$ 1,231	\$ 1,325	\$ 1,432	\$ 1,511	\$ 1,589	\$ 1,648
Rebate								
Rebate	30%	30%	30%	30%	30%	30%	30%	30%
Hospital	\$ 249	\$ 269	\$ 295	\$ 322	\$ 353	\$ 375	\$ 389	\$ 404
General	\$ 116	\$ 125	\$ 134	\$ 140	\$ 144	\$ 146	\$ 142	\$ 142
Combined	\$ 314	\$ 340	\$ 369	\$ 398	\$ 429	\$ 453	\$ 477	\$ 494

Average SEUs & Contribution Income

Item / Year	2002-03	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<i>Average Single Equivalent Units</i>								
Hospital Treatment	6,165,807	6,154,513	6,154,962	6,191,970	6,286,812	6,449,598	6,745,197	6,956,615
General Treatment Only	784,737	831,555	859,989	890,195	880,294	912,840	927,021	981,195
General Treatment Total	5,542,493	5,677,258	5,764,211	5,864,488	5,984,813	6,279,500	7,286,678	7,856,457
Total	6,950,544	6,950,544	7,014,951	7,082,164	7,167,106	7,362,438	7,672,219	7,937,810
<i>Contribution Income</i>								
Hospital Treatment	\$ 5,123,495,487	\$ 5,513,607,927	\$ 6,056,626,971	\$ 6,646,337,882	\$ 7,392,669,680	\$ 8,069,043,970	\$ 8,741,663,220	\$ 9,367,897,190
General Treatment	\$ 2,121,538,627	\$ 2,342,750,977	\$ 2,556,785,936	\$ 2,724,385,344	\$ 2,857,095,900	\$ 3,049,798,080	\$ 3,433,908,140	\$ 3,696,017,810
General Treatment Ambulance Only	\$ 20,473,697	\$ 28,608,875	\$ 23,113,730	\$ 13,392,450	\$ 10,860,760	\$ 8,522,670	\$ 13,248,770	\$ 14,217,880
Total	\$ 7,265,507,810	\$ 7,884,967,779	\$ 8,636,526,638	\$ 9,384,115,677	\$ 10,260,626,340	\$ 11,127,364,720	\$ 12,188,820,130	\$ 13,078,132,855

NOTES:

Single Equivalent Units (SEU) are used as a standard measure, as the number of persons covered under a policy may vary; single, 2+persons no adults, single parent policies are counted as 1 SEU; couple, family, 3+adults are counted as 2 SEUs

Average SEUs are calculated as the weighted average of the year's four quarterly averages

Average hospital treatment SEU is calculated using hospital treatment policies

Average general treatment only SEU is calculated using general treatment only policies

Average general treatment total SEU is calculated using combined hospital treatment and general treatment policies, and general treatment only policies

Average total SEU is calculated using total hospital treatment policies plus general treatment only policies

SOURCES:

Operations of the Private Health Insurers Annual Report 2008-09; Average SEUs table p.52, Membership, revenue and expenses by insurer table p. 34

Operations of the Private Health Insurers Annual Report 2007-08; Table p.49, Table p.81

Operations of the Private Health Insurers Annual Report 2006-07; Table 2 (p.37), Table 36 (p.94)

Operations of the Health Benefits Organisation Annual Report 2005-06; Table 32 (p.90)

Operations of the Health Benefits Organisation Annual Report 2004-05; Table 32 (p.76)

Operations of the Health Benefits Organisation Annual Report 2003-04; Table 4 (p.66)

Operations of the Health Benefits Organisation Annual Report 2002-03; Table 4 (p.76)

Number of affected people due to having PHI and being in income and household categories impacted by reduced rebate

People by income

Income/Household Category	April Numbers*	For Original Briefings	November Numbers*	For Briefings Nov 2009
	PHIAC Jan 09 quarter data		PHIAC Sep 09 quarter data	
<i>\$75k/\$150k and over</i>				
Total singles	634,118	600,000	668,825	
Total couples	485,763		521,411	
Total singles and couples	1,119,881		1,190,235	
Total adults as part of couples	971,527	1 million	1,042,821	
Total adults	1,605,644		1,711,646	
Total kids/dependents	680,069	700,000	573,552	
Total adults and kids	2,285,713	2.3 million	2,285,198	
	0			
<i>No Tier</i>	0			
<i>Under \$75k/\$150k</i>	0			
Total singles	1,596,882	1.6 million	1,684,284	
Total couples	1,875,236	1.9 million	2,012,849	
Total singles and couples	3,472,118		3,697,133	
Total adults as part of couples	3,750,472	3.8 million	4,025,697	
Total adults	5,347,354		5,709,982	
Total kids/dependents	2,625,330	2.6 million	2,214,133	
Total adults and kids	7,972,685	7.4 million	7,924,115	7.4 million
	0			
<i>Tier 1</i>	0			
<i>\$75k-\$90k/\$150k-\$180k</i>	0			
Total singles	231,218	200,000	243,873	
Total couples	188,589	200,000	202,429	
Total singles and couples	419,807		446,302	
Total adults	608,397		648,731	
Total adults and kids	872,422	900,000	871,403	0.8 million
	0			
<i>Tier 2</i>	0			
<i>\$90k-\$120k/\$180k-\$240k</i>	0			
Total singles	210,640	200,000	222,169	
Total couples	150,548	200,000	161,596	
Total singles and couples	361,188		383,764	
Total adults	511,735		545,360	
Total adults and kids	722,502	700,000	723,115	0.7million
	0			
<i>Tier 3</i>	0			
<i>\$120k/\$240k and over</i>	0			
Total singles	192,260	200,000	202,783	
Total couples	146,626	100,000	157,386	
Total singles and couples	338,886		360,169	
Total adults	485,512		517,555	
Total adults and kids	690,789	700,000	690,680	0.7 million
	0			
<i>All people with PHI</i>	0			
Total singles	2,231,000	2.2 million	2,353,109	
Total couples	2,361,000	2.4 million	2,534,260	
Total singles and couples	4,592,000		4,887,369	
Total adults	6,953,000		7,421,629	
Total adults and kids	10,258,400	10.3 million	10,209,315	
	0			
<i>Tiers 1-3</i>	0			
Total singles	634,118	600,000	668,825	
Total couples	485,763	500,000	521,411	
Total singles and couples	1,119,881		1,190,235	
Total adults	1,605,644		1,711,646	
Total adults and kids	2,285,713	2.3 million	2,285,198	
	0			
<i>Tiers 2 and 3</i>	0			
Total singles	402,900	400,000	424,951	
Total couples	297,174	300,000	318,982	
Total singles and couples	700,074		743,933	
Total adults	997,248		1,062,915	
Total adults and kids	1,413,291	1.4 million	1,413,795	

Note:

People affected is based on all people including adults and dependents/children on hospital treatment products (ie. hospital treatment only and combined products) rather than any cover (ie. hospital treatment, general treatment, or combined products)

*The difference between the April numbers and the November number reflect the change in updated PHIAC participation figures.

Number of affected singles and couples due to having PHI and being in income and

Income/Household Category	Number	For Briefings	For Briefings
<i>Singles under \$75k by age</i>			
Under 65	1,510,022		
65-69	49,490		
70 and over	124,772		
Total	1,684,284		
<i>Singles \$75k and over by age</i>			
Under 65	620,654	590,000	590,000
65-69	13,627	13,000	13,000
70 and over	34,543	33,000	33,000
Total	668,825	630,000	630,000
<i>Proportions</i>			
Under 65	92.80%	93%	93%
65-69	2.04%	2%	2%
70 and over	5.16%	5%	5%
Total	100.00%		
<i>Couples under \$150k by age</i>			
Under 65	1,704,218		
65-69	137,815		
70 and over	170,816		
Total	2,012,849		
<i>Couples \$150k and over by age</i>			
Under 65	482,782	450,000	450,000
65-69	17,977	17,000	17,000
70 and over	20,651	19,000	19,000
Total	521,411	490,000	490,000
<i>Proportions</i>			
Under 65	92.59%	71%	71%
65-69	3.45%	3%	3%
70 and over	3.96%	4%	4%
Total	100.00%		
<i>Proportion \$75k/\$150k and over</i>			
Proportion singles affected - \$75k and over	28.42%	28%	28%
Proportion couples affected - \$150k and over	20.57%	21%	21%

Proportion of affected singles and couples due to having PHI and being in income and

Income/Household Category	Number	For Briefings	For Briefings
Singles			
<i>Numbers</i>			
Under \$75k singles	1,684,284		
\$75k and over singles	668,825		
Total singles	2,353,109		
<i>Proportions</i>			
Under \$75k singles	71.58%		
\$75k and over singles	28.42%		
Total singles	100.00%		
Couples			
<i>Numbers</i>			
Under \$150k couples	2,012,849		
\$150k and over couples	521,411		
Total couples	2,534,259		
<i>Proportions</i>			
Under \$150k couples	79.43%		
\$150k and over couples	20.57%		
Total couples	100.00%		

Impact on participation

Proportion remaining in PHI

Option 2		For Briefings
Total number of singles with PHI	2,353,109	
Total number of couples with PHI	2,534,260	
Number of singles remaining	2,346,141	2.2 million
Number of couples remaining	2,528,476	2.4 million
Proportion of singles remaining	99.70%	
Proportion of couples remaining	99.77%	
Proportion of singles and couples remaining	99.74%	99.7%
Proportion of singles and couples dropping out	0.26%	0.2%

Net impact on PHI coverage including drop outs and take ups

Option 1		
Net impact on singles	#REF!	
Net impact on couples	#REF!	
Net impact of people in a couple excluding dependents	#REF!	
Net impact of children or dependents as part of couple/family	#REF!	
Net impact total number of people	#REF!	

Option 2		For Briefings
Net impact on singles	-6,968	6,500
Net impact on couples	-5,784	5,500
Net impact of people in a couple excluding dependents	-11,567	
Net impact of children or dependents as part of couple/family	-6,362	
Net impact total number of people	-24,897	25,000

How many people take up PHI due to MLS impact

Option 1		
Number of singles take up	#REF!	
Number of couples take up	#REF!	
Total number of people in a couple excluding dependents take up	#REF!	
Number of children or dependents as part of couple/family take up	#REF!	
Total number of people take up	#REF!	

Option 2		
Number of singles take up		Nil
Number of couples take up		Nil
Total number of people in a couple excluding dependents take up		Nil
Number of children or dependents as part of couple/family take up		Nil
Total number of people take up		Nil

How many people may drop out of private health insurance	
Option 1	
Number of singles drop out - Overall	#REF!
Number of couples drop out - Overall	#REF!
Total number of people in a couple excluding dependents drop out - Overall	#REF!
Number of children or dependents as part of couple/family drop out - Overall	#REF!
Total number of people drop out - Overall	#REF!

How many people may drop out of private health insurance - still part rebate	
Number of singles drop out - still part rebate	#REF!
Number of couples drop out - still part rebate	#REF!
Total number of people in a couple excluding dependents drop out - still part rebate	#REF!
Number of children or dependents as part of couple/family drop out - still part rebate	#REF!
Total number of people drop out - still part rebate	#REF!

How many people may drop out of private health insurance - now pay MLS	
Number of singles drop out and now pay MLS	#REF!
Number of couples drop out and now pay MLS	#REF!
Total number of people in a couple excluding dependents drop out - now pay MLS	#REF!
Number of children or dependents as part of couple/family drop out - now pay MLS	#REF!
Total number of people drop out - now pay MLS	#REF!

Option 2	
Number of singles drop out - Overall	6,968
Number of couples drop out - Overall	5,784
Total number of people in a couple excluding dependents drop out - Overall	11,567
Number of children or dependents as part of couple/family drop out - Overall	6,362
Total number of people drop out - Overall	24,897

How many people may drop out of private health insurance - still part rebate	
Number of singles drop out - still part rebate	6,968
Number of couples drop out - still part rebate	5,784
Total number of people in a couple excluding dependents drop out - still part rebate	11,567
Number of children or dependents as part of couple/family drop out - still part rebate	6,362
Total number of people drop out - still part rebate	24,897

How many people may drop out of private health insurance - now pay MLS	
Number of singles drop out and now pay MLS	6,968
Number of couples drop out and now pay MLS	5,784
Total number of people in a couple excluding dependents drop out - now pay MLS	11,567
Number of children or dependents as part of couple/family drop out - now pay MLS	6,362
Total number of people drop out - still part rebate	24,897

Formulas	
Number of people per single	1
Number of people per couple	2
Number of dependents or children per policy	1.12
Number of dependents or children per policy (rounded)	1.1
Number people in family including adults and children per policy	3.1
Price elasticity	-0.3
Change in price - 15 percentage point rebate reduction	21.4%
Change in PHI demand - 15 percentage point rebate reduction	-6.4%

635
195

only for use for age purposes not for overall drop out purposes

Distribution of age profile of people who may drop out of private health insurance - overall	
Option 1	
Proportion of drop outs - under 65	92.7%
Proportion of drop outs - 65-69	2.9%
Proportion of drop outs - 70 over	4.4%
Total number of people drop out - Overall	110,034
Number of people drop out - under 65	101,971
Number of people drop out - 65-69	3,187
Number of people drop out - 70 over	4,876
<i>all singles earning \$75k and above</i>	
Number of singles drop out - Overall	42,996
Number of singles drop out - under 65	39,899
Number of singles drop out - 65-69	876
Number of singles drop out - 70 over	2,221
<i>excluded dependents as people want to know impact on premiums and dependents not charged extra premiums</i>	
Total number of people in a couple drop out excluding dependents - Overall	67,039
Total number of people in a couple drop out excluding dependents - under 65	62,072
Total number of people in a couple drop out excluding dependents - 65-69	2,311
Total number of people in a couple drop out excluding dependents - 70 over	2,655
Total number of couples drop out - Overall	33,519
Number of children or dependents as part of couple/family drop out - Overall	37,561
Total number of people in a couple/family including dependents drop out - Overall	104,600
Total number of people in a couple drop out excluding dependents - Overall	67,039
Total number of people in a couple/family including dependents drop out - under 65	96,851
Number of children or dependents as part of couple/family drop out - under 65	34,779
Total number of people in a couple drop out excluding dependents - under 65	62,072
Number of couples drop out - under 65	31,036
<i>all couples earning \$150k and above</i>	
Total number of people in a couple/family including dependents drop out - 65-69	3,606
Number of children or dependents as part of couple/family drop out - 65-69	1,295
Total number of people in a couple drop out excluding dependents - 65-69	2,311
Number of couples drop out - 65-69	1,156
Total number of people in a couple/family including dependents drop out - 70 over	4,143
Number of children or dependents as part of couple/family drop out - 70 over	1,488
Total number of people in a couple drop out excluding dependents - 70 over	2,655
Number of couples drop out - 70 over	1,328

only for use for age purposes not for overall drop out purposes

Distribution of age profile of people who may drop out of private health insurance - \$75k-\$90k/\$150k-\$180k	
Option 1	
Proportion of drop outs - under 65	94.4%
Proportion of drop outs - 65-69	2.3%
Proportion of drop outs - 70 over	3.2%
Total number of people drop out - Overall	41,704
Number of people drop out - under 65	39,389
Number of people drop out - 65-69	980
Number of people drop out - 70 over	1,335
Number of singles drop out - Overall	15,678
Number of singles drop out - under 65	14,880
Number of singles drop out - 65-69	244
Number of singles drop out - 70 over	554
<i>excluded dependents as people want to know impact on premiums and dependents not charged extra premiums</i>	
Total number of people in a couple drop out excluding dependents - Overall	26,027
Total number of people in a couple drop out excluding dependents - under 65	24,509
Total number of people in a couple drop out excluding dependents - 65-69	735
Total number of people in a couple drop out excluding dependents - 70 over	782
Total number of people in a couple/family including dependents drop out - Overall	40,609
Number of children or dependents as part of couple/family drop out - Overall	14,583
Total number of people in a couple drop out excluding dependents - Overall	26,027
Total number of couples drop out - Overall	13,013
Total number of people in a couple/family including dependents drop out - under 65	38,242
Number of children or dependents as part of couple/family drop out - under 65	13,733
Total number of people in a couple drop out excluding dependents - under 65	24,509
Number of couples drop out - under 65	12,255
Total number of people in a couple/family including dependents drop out - 65-69	1,148
Number of children or dependents as part of couple/family drop out - 65-69	412
Total number of people in a couple drop out excluding dependents - 65-69	735
Number of couples drop out - 65-69	368
Total number of people in a couple/family including dependents drop out - 70 over	1,220
Number of children or dependents as part of couple/family drop out - 70 over	438
Total number of people in a couple drop out excluding dependents - 70 over	782
Number of couples drop out - 70 over	391

New estimated weighted average rebate after means test

Weighted Average Rebate

Current weighted rebate	32.00%
Average Estimated rebate	27.19%

Assumptions

That the current weighted rebate is 32%

That the current weighted rebate for all income categories is the same

That the current weighted rebate for singles and families is the same

Approximate number of people in various income categories with PHI

Single Policies			Weighted rebate totals	Couples Policies			Weighted rebate totals
Under \$75,000	1,680,000	32.00%	537,600	Under \$150,000	2,010,000	0.32	643,200
\$75,000 to \$90,000	240,000	0.2133333	51,200	\$150,000 to \$180,000	200,000	0.213333333	42,667
\$90,000 to \$120,000	220,000	0.1066667	23,467	\$180,000 to \$240,000	160,000	0.106666667	17,067
\$120,000 and over	200,000	0	0	\$240,000 and over	160,000	0	0
All	2,340,000			All	2,530,000		
Net impact on singles	6,968		612,267	Net impact on couples	5,784		702,933

Tax Data

under 65	
singinc1011	
under \$50,000	983,553
\$50,001-\$75,000	526,469
\$75,001-\$90,000	231,463
\$90,000-\$100,000	93,055
\$100,001-\$120,000	115,821
\$120,001-\$150,000	78,552
\$150,001&over	101,764
All	2,130,677

65 to 69	
singinc1011	
under \$50,000	37,957
\$50,001-\$75,000	11,533
\$90,000-\$100,000	1,660
\$100,001-\$120,000	2,226
\$120,001-\$150,000	1,917
\$150,001&over	4,026
All	63,117

70 and over	
singinc1011	
under \$50,000	99,498
\$50,001-\$75,000	25,274
\$75,001-\$90,000	8,613
\$90,000-\$100,000	3,685
\$100,001-\$120,000	5,722
\$120,001-\$150,000	5,032
\$150,001&over	11,491
All	159,315

All	
singinc1011	
under \$50,000	1,121,008
\$50,001-\$75,000	563,276
\$75,001-\$90,000	243,873
\$90,000-\$100,000	98,400
\$100,001-\$120,000	123,769
\$120,001-\$150,000	85,501
\$150,001&over	117,282
All	2,353,109

Under \$75,000	1,684,284
\$75,000 to \$90,000	243,873
\$90,000 to \$120,000	222,169
over \$120,000	202,783
All	2,353,109

424,951
202,783

under 65	
coupinc1011	
under \$100,000	1,098,909
\$100,001-\$150,000	605,309
\$150,001-\$180,000	190,628
\$180,001-\$200,000	69,577
\$200,001-\$240,000	80,602
\$240,001-\$300,000	56,600
\$300,001&over	85,375
All	2,187,000

65 to 69	
coupinc1011	
under \$100,000	119,494
\$100,001-\$150,000	18,321
\$180,001-\$200,000	2,261
\$200,001-\$240,000	3,210
\$240,001-\$300,000	2,433
\$300,001&over	4,353
All	155,792

70 and over	
coupinc1011	
under \$100,000	151,957
\$100,001-\$150,000	18,859
\$150,001-\$180,000	6,080
\$180,001-\$200,000	2,417
\$200,001-\$240,000	3,529
\$240,001-\$300,000	3,099
\$300,001&over	5,527
All	191,468

All	
coupinc1011	
under \$100,000	1,370,360
\$100,001-\$150,000	642,489
\$150,001-\$180,000	202,429
\$180,001-\$200,000	74,254
\$200,001-\$240,000	87,341
\$240,001-\$300,000	62,131
\$300,001&over	95,255
All	2,534,260

Under \$75,000	2,012,849
\$75,000 to \$90,000	202,429
\$90,000 to \$120,000	161,596
over \$120,000	157,386
All	2,534,259

1084538.257
535112.9427

312000
161782.138
323564.275

473,782

0.51853249

Downgrading of level of PHI product cover

Income Category	Statistic	Source	Notes
<i>People affected</i>			
10 percentage point rebate reduction / 20% premium increase	871 403	Treasury personal income tax model using ATO data	
20 percentage point rebate reduction / 30% premium increase	723,115	Treasury personal income tax model using ATO data	
No rebate / 40% premium increase	690 680	Treasury personal income tax model using ATO data	
Total	2,285,198		
<i>Downgrade cover proportion</i>			
10 percentage point rebate reduction / 10% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would downgrade my private hospital cover to one with lower benefits but with a cheaper premium
20 percentage point rebate reduction / 30% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would downgrade my private hospital cover to one with lower benefits but with a cheaper premium
No rebate / 40% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would downgrade my private hospital cover to one with lower benefits but with a cheaper premium
<i>Downgrade cover number</i>			
10 percentage point rebate reduction / 10% premium increase	s47	Ipsos Health Care & Insurance Australia 2007	
20 percentage point rebate reduction / 30% premium increase		Ipsos Health Care & Insurance Australia 2007	
No rebate / 40% premium increase		Ipsos Health Care & Insurance Australia 2007	
Total			
<i>Drop cover proportion</i>			
10 percentage point rebate reduction / 10% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would be very likely to drop my private hospital cover
20 percentage point rebate reduction / 30% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would be very likely to drop my private hospital cover
No rebate / 40% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would be very likely to drop my private hospital cover
<i>Drop cover number</i>			
10 percentage point rebate reduction / 10% premium increase	s47	Ipsos Health Care & Insurance Australia 2007	
20 percentage point rebate reduction / 30% premium increase		Ipsos Health Care & Insurance Australia 2007	
No rebate / 40% premium increase		Ipsos Health Care & Insurance Australia 2007	
Total			
<i>Keep cover proportion</i>			
10 percentage point rebate reduction / 10% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would still be better off keeping my private hospital cover
20 percentage point rebate reduction / 30% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would still be better off keeping my private hospital cover
No rebate / 40% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: I think I would still be better off keeping my private hospital cover
<i>Keep cover number</i>			
10 percentage point rebate reduction / 10% premium increase	s47	Ipsos Health Care & Insurance Australia 2007	
20 percentage point rebate reduction / 30% premium increase		Ipsos Health Care & Insurance Australia 2007	
No rebate / 40% premium increase		Ipsos Health Care & Insurance Australia 2007	
Total			
<i>Other proportion</i>			
10 percentage point rebate reduction / 10% premium increase	s47	Ipsos Health Care & Insurance Australia 2007	Answer: Refused or don't know
20 percentage point rebate reduction / 30% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: Refused or don't know
No rebate / 40% premium increase		Ipsos Health Care & Insurance Australia 2007	Answer: Refused or don't know
<i>Other number</i>			
10 percentage point rebate reduction / 10% premium increase	s47	Ipsos Health Care & Insurance Australia 2007	
20 percentage point rebate reduction / 30% premium increase		Ipsos Health Care & Insurance Australia 2007	
No rebate / 40% premium increase		Ipsos Health Care & Insurance Australia 2007	
Total			

Note

People affected is based on all people including adults and dependents/children on hospital treatment products (ie. hospital treatment only and combined products) rather than any cover (ie. hospital treatment, general treatment, or combined products)
 Ipsos Health Care & Insurance Australia 2007; Question: If premiums increased by particular amount that equates to rebate reduction of particular amount would person keep, downgrade or drop cover? (Income high single \$50k+ and family/couple \$100k+)

Effective increase in cost of private health insurance premiums for people facing rebate reduction

Tier	Effective Premium Increase	Income Category	Rebate	Full Cost	Current Effective Cost	New Effective Cost	Effective Increase
		<i>Current</i>					
		Under 65 years	30%	\$ 1,837	1,286		
		65-69 years	35%	\$ 1,837	1,194		
		70 years and over	40%	\$ 1,837	1,102		
		<i>Under \$75k/\$150k</i>					
	0.0%	Under 65 years	30%	\$ 1,837	1,286	1,286	-
	0.0%	65-69 years	35%	\$ 1,837	1,194	1,194	-
	0.0%	70 years and over	40%	\$ 1,837	1,102	1,102	-
Tier 1		<i>\$75k-\$90k/\$150k-\$180k</i>					
	14.3%	Under 65 years	20%	\$ 1,837	1,286	1,470	184
	15.4%	65-69 years	25%	\$ 1,837	1,194	1,378	184
	16.7%	70 years and over	30%	\$ 1,837	1,102	1,286	184
Tier 2		<i>\$90k-\$120k/\$150k-\$240k</i>					
	28.6%	Under 65 years	10%	\$ 1,837	1,286	1,654	367
	30.8%	65-69 years	15%	\$ 1,837	1,194	1,562	367
	33.3%	70 years and over	20%	\$ 1,837	1,102	1,470	367
Tier 3		<i>\$120k/\$240k and over</i>					
	42.9%	Under 65 years	0%	\$ 1,837	1,286	1,837	551
	53.8%	65-69 years	0%	\$ 1,837	1,194	1,837	643
	66.7%	70 years and over	0%	\$ 1,837	1,102	1,837	735

Average effective increase in cost of private health insurance premiums by Tiers

Tier	Average Effective Premium Increase	Income Category
Unchanged	0%	\$75,000/\$150,000 or less
Tier 1	14%	\$75,001-\$90,000/\$150,001-\$180,000
Tier 2	29%	\$90,001-\$120,000/\$180,001-\$240,000
Tier 3	43%	\$120,001/\$240,001 or more

Note:
Based on 30% rebate

Estimated Average Tax debt which would be incurred under the Means Test Private Health Insurance Rebate Savings Measure

Average estimated tax debt for 2009-10				
Singles	Under \$75,000	\$75,000 to \$89,999	\$90,000 to \$119,999	Over \$120,000
Aged under 65				\$ 582.03
Aged 65 to 69	\$ -	\$ 194.01	\$ 388.02	\$ 679.04
Aged over 70				\$ 776.04

Average estimated tax debt for 2009-10				
Couples	Under \$150,000	\$150,000 to \$179,999	\$180,000 to 239,999	Over \$240,000
Aged under 65				\$ 1,164.07
Aged 65 to 69	\$ -	\$ 388.02	\$ 776.04	\$ 1,358.08
Aged over 70				\$ 1,552.09

Assumptions

That the average premium costs in each age bracket is the same
 That the average premium costs in each income bracket is the same

Number of people who will miscalculate income

PHI

Number who may overclaim due to underestimating income	297 048	
Number who underclaim due to overestimating income	1 978 623	
Number who will be goldilocks just right	2 724 328	
Number of PHI policies	5,000,000	

Family Tax Benefit A

Total number of recipients	1 769 091	
Number who overclaimed due to underestimating income	105,101	6%
Number who underclaimed due to overestimating income	700 073	40%
Number who were goldilocks just right	963 917	54%

Source: FACSIA Annual Report 2006-07

Private health insurance coverage by income status

1995		
Income	% With PHI	
Less than \$10k	23.9%	\$ 10,000
\$10k-\$19k	22.3%	\$ 19,000
\$20k-\$29	33.3%	\$ 29,000
\$30k-\$39k	41.5%	\$ 39,000
\$40k-\$49k	47.7%	\$ 49,000
\$50k-\$59k	60.6%	\$ 59,000
\$60k-\$69k	67.0%	\$ 69,000
\$70k or more	71.6%	\$ 70,000

Source: Australian Bureau of Statistics, National Health Survey: Private Health Insurance, 1995, p.10

2001		
Income	% With PHI	
Less than \$8k	33.4%	
\$8k-\$16k	26.9%	
\$16k-\$26k	29.7%	
\$26k-\$36k	32.9%	
\$36k-\$52k	37.9%	
\$52k-\$62k	40.1%	
\$62k-\$76k	43.1%	
\$76k-\$104k	46.8%	
\$104k-\$130k	48.3%	
\$130k-\$156k	49.0%	
\$156k-\$182k	49.3%	
\$182k or more	50.0%	

Source: Australian Bureau of Statistics, National Health Survey: Summary of results, 2001

2001		
Income	% With PHI	
1st quintile	29.5%	
5th quintile	82.3%	

Source: Australian Bureau of Statistics, National Health Survey: Summary of results, 2001, p.61

2004-05		
Income	% With PHI	
Less than \$20k	24.1%	
\$20k-\$35k	31.2%	
\$35k-\$50k	35.5%	
\$50k-\$70k	47.0%	
\$70k-\$100k	55.4%	
\$100k or more	67.1%	

Source: Australian Bureau of Statistics, National Health Survey: Summary of results, 2004-05

2004-05		
Income	% With PHI	
1st quintile	28.8%	
5th quintile	75.7%	

Source: Australian Bureau of Statistics, National Health Survey: Summary of results, 2004-05, p.67

Note:

1st quintile refers to the most disadvantaged group, while 5th quintile refers to the least disadvantaged group. The indexes are compiled from various characteristics of persons resident in particular areas; the index of disadvantage summarises attributes such as low income, low educational attainment, high unemployment and jobs in relatively unskilled occupations.

1995 to 2004-05

\$	13,400	\$	14,030	\$	14,549	\$	15,276	\$	16,071	\$	16,906	\$	17,786	23.9%
\$	25,460	\$	26,657	\$	27,643	\$	29,025	\$	30,534	\$	32,122	\$	33,793	22.3%
\$	38,860	\$	40,686	\$	42,192	\$	44,301	\$	46,605	\$	49,029	\$	51,578	33.3%
\$	52,260	\$	54,716	\$	56,741	\$	59,578	\$	62,676	\$	65,935	\$	69,364	41.5%
\$	65,660	\$	68,746	\$	71,290	\$	74,854	\$	78,747	\$	82,841	\$	87,149	47.7%
\$	79,060	\$	82,776	\$	85,839	\$	90,130	\$	94,817	\$	99,748	\$	104,935	60.6%
\$	92,460	\$	96,806	\$	100,387	\$	105,407	\$	110,888	\$	116,654	\$	122,720	67.0%
\$	93,800	\$	98,209	\$	101,842	\$	106,934	\$	112,495	\$	118,345	\$	124,499	71.6%

2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Weekly	Annually					
383.58	\$0	\$0	\$0	\$0	\$0	\$0
671.27	\$0	\$0	\$0	\$0	\$0	\$0
958.96	\$0	\$0	\$0	\$0	\$0	\$0
1342.5	\$0	\$0	\$0	\$0	\$0	\$0
1917.9	\$0	\$0	\$0	\$0	\$0	\$0
Weekly-A	52					
Average Weekly Earnings Increase	4.7%	3.7%	5.0%	5.2%	5.2%	5.2%
1995 to 2004-05	34%					

before rebate 1995	before rebate 1995	most recent 2004-05	most recent 2004-05
		51%	Up to \$8,268
\$	17,786	23.9%	\$8,269 - \$15,548
		29%	\$15,549 - \$25,948
\$	33,793	22.3%	\$25,949 - \$36,348
\$	51,578	33.3%	\$36,349 - \$51,948
\$	69,364	41.5%	\$51,949 - \$62,348
\$	87,149	47.7%	\$62,349 - \$77,948
\$	104,935	60.6%	\$77,949 - \$103,948
\$	122,720	67.0%	\$103,949 - \$129,948
		79%	\$129,949 - \$155,948
		83%	\$155,949 - \$181,948
\$	124,499	71.6%	86% More than \$181,948

Possible impact of means testing of rebate upon public hospitals
(updated 16 September 2010)

Data Item	Statistic	For Briefing	Source	Notes
<i>Main Data</i>				
Number of people estimated to drop out	24 897		Treasury and Department of Health and Ageing forecasting and costing model	
Proportion of higher income earners admitted to hospital			Ipsos, Health Care & Insurance Australia 2009, Table 6.1 (adjacent p 89)	Question: Have you been personally admitted to a hospital as an inpatient or single day admission in the last two years, that's since July 2007, but ignoring any visits to outpatient clinics or emergency departments when you were not admitted; Response: Yes (all hospitals; high single \$120k+ family/couple \$240k+)
Number of people who drop out but are admitted to hospital				
Proportion of people with private health insurance admitted to public hospital as a public patient			Ipsos Health Care & Insurance Australia 2009 p.99	Question: Were you treated in hospital as a public or Medicare patient, private patient claiming against your health insurance or private patient paying all expenses out of own pocket workers comp Veterans card Response: ?
Number of people possibly requiring treatment in a public hospital as a public patient after dropping private health insurance	s47	8 000		
Additional proportion to public hospital separations due to drop outs		0.2%		
Additional proportion to all hospital separations due to drop outs		0.1%		
Number of people possibly requiring treatment in a public hospital as a public patient due to downgrading policy			Ipsos Health Care & Insurance Australia 2007	Question: If premiums increased by particular amount that equates to rebate reduction of particular amount would person keep, downgrade or drop cover? Answer: I think I would downgrade my private hospital cover to one with lower benefits but with a cheaper premium (calculated based on this response from Income high single \$50k+ and family/couple \$100k+)
Number of people possibly requiring treatment in a public hospital as a public patient due to downgrading				
Total additional public hospital separations due to drop outs and downgrading				
Total additional proportion to public hospital separations due to drop outs and downgrading				

<i>Other Data</i>			
Proportion of public hospital separations of all hospital separations	60%		
Proportion of private hospital separations of all hospital separations	40%		
Proportion of privately insured hospital separations of all hospital separations	37%		
Proportion of privately insured hospital separations of public hospital separations	9%		
Number of separations in public hospitals	4 891 023		Australian Institute of Health & Welfare, Australian Hospital Statistics 2008-09, Table 2.6 p.13 & Table 7.1 (website excel only)
Number of separations in private hospitals	3 257 425		Australian Institute of Health & Welfare, Australian Hospital Statistics 2008-09, Table 2.6 p.13 & Table 7.1 (website excel only)
Number of separations in all hospitals	8 148 448		Australian Institute of Health & Welfare, Australian Hospital Statistics 2008-09, Table 2.6 p.13 & Table 7.1 (website excel only)
Number of separations using private health insurance in public hospitals	451 591		Australian Institute of Health & Welfare, Australian Hospital Statistics 2008-09, Table 7.1 (website excel only)
Number of separations using private health insurance in private hospitals	2 579 128		Australian Institute of Health & Welfare, Australian Hospital Statistics 2008-09, Table 7.1 (website excel only)
Number of separations using private health insurance in all hospitals	3,030,719		
Proportion of people admitted to hospital		Ipsos Health Care & Insurance Australia 2009 Table 6.1 (adjacent p 89)	Question: Have you been personally admitted to a hospital as an inpatient or single day admission in the last two years, that's since July 2007, but ignoring any visits to outpatient clinics or emergency departments when you were not admitted; Response: Yes (all hospitals)
Proportion of people admitted to public hospital		Ipsos Health Care & Insurance Australia 2009 Table 6.1 (adjacent p 89)	Question: Have you been personally admitted to a hospital as an inpatient or single day admission in the last two years, that's since July 2007, but ignoring any visits to outpatient clinics or emergency departments when you were not admitted; Response: Net Public Hospital (including overnight and same day)
Proportion of higher income earners admitted to public hospital		Ipsos Health Care & Insurance Australia 2009 Table 6.1 (adjacent p 89)	Question: Have you been personally admitted to a hospital as an inpatient or single day admission in the last two years, that's since July 2007, but ignoring any visits to outpatient clinics or emergency departments when you were not admitted; Response: Net Public Hospital (including overnight and same day; high single \$120k+ family/couple \$240k+)
Proportion of people with private health insurance admitted to public hospital regardless of patient election status		Ipsos Health Care & Insurance Australia 2009 Table 6.1 (adjacent p 89)	Question: Have you been personally admitted to a hospital as an inpatient or single day admission in the last two years, that's since July 2007, but ignoring any visits to outpatient clinics or emergency departments when you were not admitted Response: ?
Proportion of people staying in private health insurance due to rebate		Ipsos Health Care & Insurance Australia 2009 Table 8.4.3 (adjacent p.165)	Question: Is there anything currently making you inclined to keep private hospital insurance, when otherwise you might let it drop; Response: 30% rebate/Government rebate

NOTES

Key reason why people purchase PHI is generally because they want the option of being able to obtain access to a private hospital should they require hospital treatment (eg. lengthy waiting list for public hospital treatment) and the fear that they may not be able to afford the full cost of a private hospital episode if they paid out of their own pocket
Downgrading will not necessarily result in a significant increase in the utilisation of public hospital services as it can involve people choosing exclusionary policies that either involve exclusions of particular treatments or higher excesses or co-payments; when deciding on excluding treatments, it is likely that people will ensure they maintain coverage for illnesses or conditions for which there was a greater likelihood that they would require treatment
For drop outs the age, locations and type of treatment required for a particular person has not been taken into account; the actual additional impact on public hospitals may be lower, because it is unknown what type of treatment these people may require; may only be possible to provide this treatment in a public hospital anyway (eg. due to location of patient, expertise and facilities of public hospital); even if they use their private health insurance for the public hospital treatment, there is no reduced burden upon the hospital in terms of personnel or resources

Estimated people who have ancillary only products who would drop their cover

Singles	Couples	Price increase in proportional terms	Estimated drop out %	Estimated # people with ancillaries	Estimated # of ancillary drop-outs
75-90	150-180	14.3%	-0.86%	136,184	1,167
90-120	180-240	28.6%	-1.71%	112,730	1,933
120 over	240 over	42.9%	-2.57%	107,807	2,772
TOTAL				- 5,872	

Assumptions

The proportion of people with ancillary cover is the same as those with hospital cover.
 Price elasticity for ancillary cover is scaled down from price elasticity for combined cover, to reflect lower dollar impact of means test

- 1,460,613 **Individuals with general treatment cover**
- 15% **General treatment cover as % of complying cover**
- 0.2 **Hospital treatment cover price elasticity**
- 30% **Price of ancillary cover as % of combined cover**
- 0.06 **General treatment cover price elasticity - scaled down to reflect lower dollar impact relative to total disposable income for single/ family than occurs for combined cover**

insured persons	
any cover = 11,117,461	11,117,461
total hospital = 9,656,848	9,656,848
hospital only = 85,966	85,966
combined = 9,570,882	9,570,882
total general = 11,031,495	11,031,495
general only = 1,460,613	1,460,613

*These figure are sighted from the PHIA Dec 08 report

Estimated percentage of people with combined cover and not hospital only out of all people with both 99.1%

Type of cover	Estimated drop out
Hospital and Ancillary	25,000
Hospital only	14,000
Ancillary only	6,000
Total to drop some cover	45,000

Estimated fall out rate for ancillary products for people who hold both hospital and ancillary products

Singles	Couples	Price increase in proportional terms	Estimated drop out %	Estimated # people with ancillaries	Estimated # of ancillary drop-outs	For Briefings
75-90	150-180	14.3%	-0.86%	892,368	7,649	
90-120	180-240	28.6%	-1.71%	738,679	12,663	
120 over	240 over	42.9%	-2.57%	706,418	18,165	
TOTAL				- 38,477		

Estimated number of people estimated to drop all cover cover - **24,897**
 Total estimated people to drop ancillary who have both hospital and ancillary - **13,580** 10000

Assumptions

Price elasticity for ancillary cover is scaled down from price elasticity for combined cover, to reflect lower dollar impact of means test

- 9,570,882 **Individuals with combined cover**
- 15% **General treatment cover as % of complying cover**
- 0.2 **Hospital treatment cover price elasticity**
- 30% **Price of ancillary cover as % of combined cover**
- 0.06 **General treatment cover price elasticity - scaled down to reflect lower dollar impact relative to total disposable income for single/ family than occurs for combined cover**

