



New data shows private health insurance inequity

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Summary

The Commonwealth's initiatives in 1999 and 2000 to encourage higher levels of private health insurance cover, including the 30% rebate to make private health insurance more affordable, has had no discernable effect on the distribution of private health insurance across income groups. If the private health insurance rebate is about supporting choice, it appears that low and middle income groups have not been exercising it. On the other hand, it is not surprising that high income groups continue to hold private health insurance. These groups receive a tax incentive – in the form of a 1% reduction in the Medicare levy – if they hold private health insurance, as well as the 30% rebate enjoyed by everyone who holds private health insurance.

Neither the Government nor the Opposition can be taken seriously on health policy unless they are prepared to fundamentally reform the way private health care is publicly supported.¹

Introduction

Over the past five years private health insurance premiums have risen by 23 per cent. From this month, those with private health insurance face an average increase of 7.6%, or three times the consumer price index. This rise in the cost of private health insurance means a greater burden on taxpayers because of the open ended 30% private health insurance rebate on the price of private health insurance, currently valued at around \$2.5 billion per annum.

In February 2004, the Commonwealth Minister for Health stated that the 30% Private Health Insurance Rebate has kept private health insurance affordable, especially for millions of Australians on low to moderate incomes.

The 1998 ABS Survey of Private Health Insurance was the last time information has been gathered about the relationship between private health cover and income. That survey estimated that 76% of persons with an income above \$100,000 had private health insurance while only 20% of persons with an income below \$20,000 had insurance, with a gradient consistent across the entire range.

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¹ Beyond the equity argument there is compelling evidence of the complete systemic failure of private health insurance. For two excellent discussions please refer to: McAuley, I, 'Stress on public hospitals – why private health insurance has made it worse,' *Discussion paper for the Australian Consumers' Association and the Australian Healthcare Association*, January 2004 and Segal, L, 'Why it is time to review the role of private health insurance in Australia,' *Australian Health Review*, Vol 27, No1, 2004



New data from Roy Morgan Research for the year January to December 2003 confirms that having private health insurance cover is strongly associated with higher income.

Findings

The research data confirms that private health insurance is strongly associated with higher incomes and that the gradient is consistent across the entire range.

When analysed by the income level of the main income earner, the Roy Morgan Research data shows that 23% of people with an income below \$20,000 had insurance while 76% of persons on incomes of \$100,000 or more had insurance.

When analysed by total household income, the Roy Morgan Research data shows that only 19% of people with total household incomes below \$20,000 have private health insurance compared to 68% of people with total household incomes of more than \$100,000.

The three tables and associated graphs which follow provide a breakdown of private health insurance cover by total household income for three groups: all people over 18 years, people aged 18-64 and people aged over 65.

It will be noted that over half (54%) of all persons who hold private health insurance and reported a total household income below \$20,000 are over 65 years. Most of this group are likely to be age pensioners. The single age pension pays an annual income of \$11,773. Most people over the age of 65 years own their home and therefore have modest housing-related costs – offsetting to some extent the strength of the association between private health insurance cover and income. The Roy Morgan poll data shows that 83% of all people over the age of 65 years own their own home while 91% of people over 65 who have private health insurance own their home.



Table 1 Persons over 18 with private health insurance by total household income

Total household income	Number of persons with PHI	Percentage of persons with PHI
Under \$20,000	371,000	19%
\$20,000 - \$29,999	368,000	27%
\$30,000 - \$39,999	378,000	32%
\$40,000 - \$49,999	410,000	36%
\$50,000 - \$59,999	401,000	44%
\$60,000 - \$69,999	409,000	47%
\$70,000 - \$79,999	432,000	54%
\$80,000 - \$89,999	371,000	56%
\$90,000 - \$99,999	319,000	61%
\$100,000 - \$109,999	296,000	61%
\$110,000 - \$119,999	192,000	64%
\$120,000 - \$129,999	192,000	66%
More than \$130,000	761,000	73%
No answer	1,195,000	34%
Total	6,095,000²	Avg: 41%

² Private Health Insurance Administration Council (PHIAC) coverage survey for December quarter of 2003 estimated that 8,690,000 (or 43%) of the population had private health insurance. The Roy Morgan Research data analysed for this report does not include people covered under the age of 18, which may account for the variation in the total number and percentage of people covered between the PHIAC and Roy Morgan Research surveys.



PHI 18+

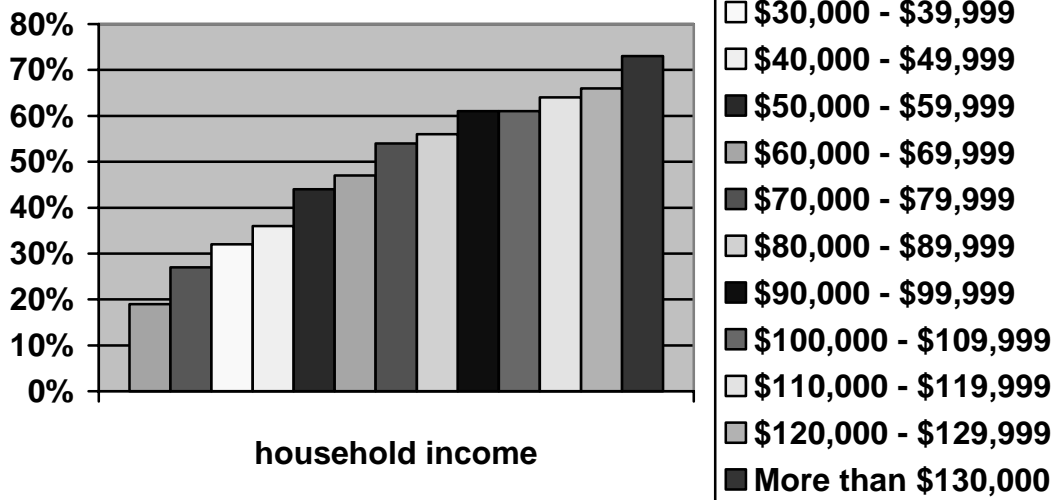




Table 2 Persons 18-64 with private health insurance by total household income

Total household income	Number of persons with PHI	Percentage of persons with PHI
Under \$20,000	169,000	16%
\$20,000 - \$29,999	208,000	22%
\$30,000 - \$39,999	283,000	28%
\$40,000 - \$49,999	354,000	35%
\$50,000 - \$59,999	363,000	42%
\$60,000 - \$69,999	385,000	46%
\$70,000 - \$79,999	416,000	53%
\$80,000 - \$89,999	360,000	56%
\$90,000 - \$99,999	313,000	61%
\$100,000 - \$109,999	289,000	61%
\$110,000 - \$119,999	188,000	64%
\$120,000 - \$129,999	187,000	66%
More than \$130,000	741,000	73%
No answer	984,000	33%
Total	5,241,000	41%

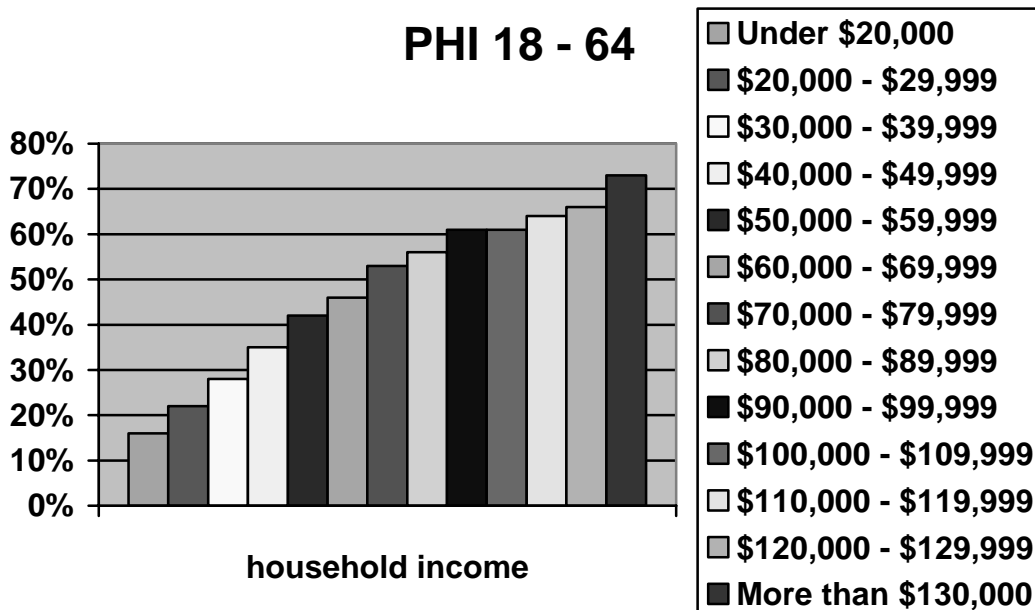




Table 3 Persons 65+ with private health insurance by total household income

Total household income	Number of persons with PHI	Percentage of persons with PHI
Under \$20,000	202,000	23%
\$20,000 - \$29,999	160,000	37%
\$30,000 - \$49,999	150,000	52%
\$50,000 - \$99,999	94,000	64%
Over \$100,000	36,000	84%

PHI 65+

