

Survey of attitudes towards the Australian health system

Part 3: Private health insurance

Menzies Centre *for*
HEALTH POLICY

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On March 2 2009, Health Minister Nicola Roxon announced an average 6% increase in private health insurance premiums. While most Australians value private health insurance, those who need it most are least likely to have it due to increasingly high costs. The uninsured would prefer Government rebates to be spent on improving public hospitals, according to a study by the Menzies Centre for Health Policy and management consulting firm The Nous Group.

Paradoxically, the main reason people remain uninsured is fear of excessive and often unpredictable costs – the very things insurance is normally expected to guard against!

The findings are part of a national telephone survey of attitudes towards the Australian health system. In particular, the survey investigated how levels of financial stress and ill-health affect attitudes towards private health insurance.

Key findings of the survey revealed that:

- **Poorer and sicker households were least likely to have private health insurance**

Only 28% of households suffering high levels of financial stress had private health insurance, compared with 60% of households under no stress.

- **Those who did not have private health insurance cited 'cost' as the overwhelming barrier to membership**

86% felt the greatest concern related to the upfront cost of premiums. 60% of respondents – in particular those suffering higher levels of financial stress - were also worried about additional costs, with high gap payments on medical bills for private patients.

- **Only a minority (38%) refused membership because they thought private health insurance was 'unnecessary'**

- **People generally supported the current government subsidy of private health insurance premiums. But, given a choice, those less able to pay believed the money would be better spent on the public system**

The Commonwealth government currently subsidises private health insurance premiums, paying a 30% rebate which rises to 35% for those aged 65 to 70 and to 40% for those over 70 years old. Critics argue the rebate is wasteful and open-ended, and would be better spent directly on

improving cash-strapped public hospitals. Defenders argue that it helps to make private health insurance affordable, especially for the elderly.

One group of respondents were asked their views on the level of the rebate. They chose between alternatives ranging from an increase in the rebate to complete abolition of it. Most respondents (83%) opted for keeping or even increasing the rebate. Only 7% wanted to end it. Fund members were more likely to support an increase, but over 70% of non-members - who do not benefit from this subsidy – believed it should continue.

The remaining respondents were given a further alternative: - might the rebate be better spent on public hospitals? Just over half (51%) still supported the rebate, but 46% wanted the money shifted to the public system. Those without private health insurance were far more likely to support a switch of funds to the hospitals, while a majority of fund members continued to support the rebate.

Dr James Gillespie, Deputy Director for the Menzies Centre for Health Policy at the University of Sydney said costs are continuing to rise even as many Australians' ability to pay is strained.

“The price of private health insurance has continued to rise well above the inflation rate, increasing cost pressures on Australian households. Despite this, fund memberships rose slightly during the last part of 2008, indicating that people are still prepared to dig deep to pay their premiums.

“However, this may change as the economy continues to slow. The recession of the early 1990s saw a catastrophic decline in private health fund membership. Caught between low margins, rising costs and members increasingly worried about costs, health funds are placed in an increasingly difficult position,” Dr Gillespie said. “Many essential medical services have shifted entirely to the private sector, reflected in the widespread view – even by the uninsured - that private insurance is now ‘necessary’. The already stressed public system will be forced to take up some of this demand. But our health system’s reliance on out-of-pocket payments – already one of the highest in the developed world – is likely to rise; a grim prospect for the uninsured.

Ends

About the survey

The survey was completed in July and August 2008 – before the worst of the financial crisis had hit Australia. The survey used a national random sample of 1200 people over 18. It was weighted to ensure the sample was representative of the broader population by gender, region, education and age.

It is the third of a series of reports based on the Menzies Centre-Nous Group Health Attitudes Survey. Full reports are available at:

http://www.menzieshealthpolicy.edu.au/MCHP_V3/site/mn_survey/index.htm

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