



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**BILLS**

**Fairer Private Health Insurance Incentives Bill  
2011, Fairer Private Health Insurance Incentives  
(Medicare Levy Surcharge) Bill 2011, Fairer  
Private Health Insurance Incentives (Medicare  
Levy Surcharge—Fringe Benefits) Bill 2011**

**Second Reading**

**SPEECH**

**Tuesday, 14 February 2012**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

---

## SPEECH

**Date** Tuesday, 14 February 2012  
**Page** 1096  
**Questioner**  
**Speaker** Hayes, Chris, MP

**Source** House  
**Proof** No  
**Responder**  
**Question No.**

**Mr HAYES** (Fowler) (13:04): I also rise today to speak about the Fairer Private Health Insurance Incentives Bill 2011, the Fairer Private Health Insurance Incentives (Medicare Levy Surcharge) Bill 2011 and the Fairer Private Health Insurance Incentives (Medicare Levy Surcharge—Fringe Benefits) Bill 2011, which implement the 2009-10 government budget commitment. This is the third time that these bills have come before this parliament. In the hope of developing a system of fairness, a system of preserving equity, let us hope that, the third time, the legislation receives the assent of parliament.

The amendment bills before us today effectively institute a change of the start date from 1 January 2012 to 1 July 2012. The new start date will align with the start of the incoming financial year. The main purpose of the bills before us is to introduce three private health insurance incentive tiers. These tiers will ensure that taxpayers with progressively higher incomes will receive decreasing proportions of government rebate for private health insurance, while offering higher costs if they opt out of the private health system. The rebate will progressively fall as incomes increase—in other words, the bills will create a means test for private health rebate entitlement.

The first tier is for individuals who are earning over \$80,000 a year and for couples who are earning over \$160,000. The rebate will be at 20 per cent with a one per cent Medicare surcharge for those who opt out of private health insurance. The second tier is for those who earn more than \$93,000 or, as couples, \$186,000. They will have their rebate at 10 per cent with a surcharge of 1.25 per cent should they elect to opt out. The third is for singles that earn more than \$124,000 a year and couples earning more than \$248,000 a year, who will receive no rebate but will have a 1.5 per cent surcharge should they not take out private health insurance.

The surcharge applies in order to ensure higher income earners acquire and keep their private health cover. This would alleviate a significant amount of pressure on our public health system. Having an incentive to take out and keep private health insurance is not new, but what is new is having a tiered system where the 30 per cent government subsidy for people taking out private health will be affected. The tiered system is effectively introducing a means test on a progressive basis for those who can afford to take out private health insurance.

These bills will also ensure a fairer distribution of benefits within the health system. The Labor government has traditionally stood for a fair distribution of benefits, ensuring that those who need assistance are the ones who receive it. The Labor government believes that the main purpose of private health insurance rebates is to assist working families, those people struggling to make ends meet, and to make sure that they, first and foremost, are able to be protected. Private health insurance rebates also ensure that retirees are able to meet the costs of their premiums and get access to proper health care. I do not know about you, Madam Deputy Speaker, but singles earning \$124,000 a year are not exactly the people that I would describe as being on struggle street. They are obviously hardworking; nevertheless, what goes with that is privilege and the capacity to be able to meet private health insurance.

The bill also allows us to ensure that low- to middle-income taxpayers are not forced to spend over \$2.4 billion a year to subsidise the insurance of higher income earners. This taxpayer money is better spent on priorities such as health, schools, hospitals and pensions. Health is an area that needs particular attention, with increasing demands emanating from new treatments, new medicines coming onto the market and new technologies to do things such as preserve life and increase the quality of life in our community. This money can be better used to ensure that further development occurs in those areas.

The changes that would be implemented by the bills before us would also ensure that the rebate matches more closely not only the means of the various groups but also the population share. For instance, since 14 per cent of taxpayers earn more than \$80,000 a year, their private health insurance will be in the vicinity of 12 per cent of the total rebate. Compared with the present, theirs would accumulate to 28 per cent. Similarly, 12 per cent of taxpayers earn over \$160,000 a year. Under the new system they will receive nine per cent of the total rebate, rather than 21 per cent.

The rebate will remain at 30 per cent for individuals on less than \$80,000 a year and, in fact, will be higher for various groups, particularly our elderly—and rightfully so. The elderly are the ones who are going to ordinarily need more assistance in the provision of healthcare services, but they are also the ones who are often most financially disadvantaged. I am therefore glad to see that the bills include a special provision for them. For instance, 65-year-olds on a lower income will receive a 35 per cent private health rebate. Indeed, a 70-year-old will receive up to 40 per cent of the rebate. That is not something that has been spoken about much so far in this debate, but it is providing a rebate to people who probably need it most.

As I have already mentioned, fairness and the fair distribution of benefits is one of the main purposes of this bill. You are aware, Madam Deputy Speaker, that I come from an electorate which is rated very lowly in the socioeconomic rankings. As a matter of fact, according to the ABS, my electorate of Fowler is ranked the second lowest. I have the most multicultural electorate in the whole country. Many in my electorate are newly arrived to this country. They work very hard for themselves and to look after their families. It is difficult for many of those who come here at a later stage in their lives to complete higher education and, as a consequence, many of the jobs that they take are very much in the lower income bracket. That does not mean that they will not work two or three jobs to try to look after their children—they do. Approximately 88 per cent of individuals in my electorate earn well under \$80,000 a year. According to the most recent census data, less than one per cent earn over \$160,000 a year.

I know this is not going to be a debate just about who earns what and what people are entitled to, but I clearly state that in an electorate such as mine the vast majority of people will benefit not only by having their rebate held as is but also from the additional benefits that are being put into health, particularly in that area. Mine is one of those very much working-class areas, mine is an area that is home to many new Australians and mine is an area that needs greater investment. We should not do what the state government has just done, which is to rip money out of our systems, particularly in the south-west of Sydney, to go on some other ventures across the other side of the river. I represent an area that needs to be viewed positively when it comes to providing welfare income assistance. This is a debate that gets us to look at that. The area I represent is one of high need. The people I represent are low-income earners. Yet we have this discussion taking place on the other side where they reckon that we should not discriminate and that everyone should be entitled to be subsidised in terms of their health rebate, because if you do not subsidise them people will get rid of their cover.

**Mr Schultz:** Come on, Chris, my background is a lot poorer than yours.

**Mr HAYES:** Not even the member for Hume would really believe that. They have a written script on this thing. If you look through the contributions from the other side of the House, they have all been identical: this is about a right to be subsidised.

This is not the first occasion when we have had a debate such as this. Go back to 2008, when we increased the Medicare levy threshold. The member for Hume sat in the chamber at that time, as did many others. People remember the contribution of the member for North Sydney, when he pounded away and said it was Armageddon and that it was going to be what destroyed the health system of the country. The coalition waxed lyrical about millions of people who would abandon private health. They said that the public health systems of New South Wales and Victoria would be destroyed because they would be overstretched to breaking point by people wanting to vacate the private health system. What happened? Since 2008 there has been an increase in people taking out private health insurance.

Despite the politicians wanting to try to score points, the truth is that mums and dads out there do what is necessary to look after their families. Mums and dads in my electorate will work their two or three jobs to look after their families. I imagine that mums and dads in the seat of Hume or anywhere else are going to do similar things. After hearing the earlier contribution from the member for Bennelong, maybe they do not have to work their two or three jobs to do that. But parents take their responsibilities seriously. They do not get a set of rules. They do it to look after their families. They take that part seriously. No amount of discussion in this chamber is going to change that. Mums and dads are going to do what is necessary to look after their families. The member for Hume—and I know his electorate quite well—too, should be thinking seriously about this because I know the age distribution in his electorate and a significant proportion of them are going to be the ones whose rebate will increase by up to 35 per cent, and many of them will be up to 40 per cent.

In their approach to this debate, people should have a clear view as to not only what has been said in the back of the party room but to what we are going to say in this chamber. I have not seen one member on the other side come in here and say, 'If we get the power at the next election we will scrap this and bring the rebate back in.' The reason they have not said it is that they are never going to do it. They are looking for us to make the hard decisions. They are going to go out and score political points, but they are not going to come in here and change that system, because they know this is the right way to do it. We have had the courage to pursue it.

**Mr Schultz:** I do not think you are in a position to lecture us about what we will and will not do.

**Mr HAYES:** I challenge the member for Hume, or anyone else, to get up on their side and say how they would pledge to reinstitute the rebate to private health, because it is just not going to happen. They are not going to do it because they know it would be bad policy. But in the process they want to score political points. I commend the bills to the House.