

Independent Economic Modelling Shows PHI Rebate Saves Taxpayers More Than Its Costs – But Value at Risk

The Government's private health insurance (PHI) rebate delivers exceptional value for taxpayers, saving up to \$1.25 in public hospital costs for every dollar spent, however its real value has not kept pace with medical inflation and declined 19% since 2014, according to new independent economic research.

The report – *Protecting Australia's Dual Healthcare System* – was commissioned by Avant Mutual, Australia's largest medical indemnity provider representing 95,000 doctors, to review the impacts the PHI rebate had on private health insurance and the flow on impacts on private hospitals and public hospital waiting lists.

The report found that more than 200,000 Australians downgraded from Gold private health insurance cover, which provided access to essential services such as maternity and psychiatric care, to lower-tier Silver or Bronze policies with higher out-of-pocket costs and lower coverage levels.

This "tier slide" triggered a domino effect, placing significant pressure on private hospitals and services such as maternity care as people downgrade their insurance coverage, shift to the public hospital system and increase waiting lists.

Avant's Chief Medical Officer, Professor Steve Robson, said as the largest doctor group in Australia, Avant was very aligned to the Government's commitment to ensure all Australians had affordable and equitable access to a world-class dual health care system.

"The rebate is one of the most effective health investments the Government makes, saving taxpayers more than it costs yet its erosion through inflation has left Australians downgrading their cover, putting pressure on private hospitals and driving up public hospital waiting lists," Professor Robson said.

"The evidence is clear that as the rebate erodes, private health insurance becomes less affordable amid broader cost-of-living pressures. Since 2018, 18 private maternity services have closed, mental health beds have been reduced, and queues in public hospitals continue to grow.

"A smaller rebate has the potential to drive millions of Australians out of private health insurance. Without that insurance, fees paid to hospitals and day surgery facilities would be unaffordable for most people."

The report's modelling highlighted the value of the Government's \$8 billion annual investment in helping Australians access private healthcare services through the rebate.

- If the PHI rebate were removed: 8 million would likely to drop or downgrade their PHI cover, costing governments \$3.5 billion more annually
- If partially removed: 3.7 million would reduce their cover, costing \$1.3 billion more annually

Conversely, the report found that maintaining the rebate investment levels would save the Government \$0.2 billion annually and if the rebate was restored to its original rates, it would save approximately \$0.5 billion or \$4.6 billion over the next 10 years.



Avant's economic report is being launched today (Monday September 1) at Avant's Future of Private Health stakeholder forum in Parliament, with healthcare leaders from patient advocacy groups, specialist colleges and peaks, nurses, regional and rural health care, private hospitals and day clinics, and Members health funds.

"We want to highlight interdependence of public and private sectors and challenge the overly simplistic arguments about the relationships between private hospitals and insurers," Professor Robson said.

"Instead of engaging in the recent conflict in private healthcare debates, we want to focus on the bigger picture that includes the value of the rebate, the appeal of private health insurance, structural challenges in the sector and most importantly the perspective of patients who want accessible, affordable, and high-quality care," he said.

"We look forward to working with the Government and all stakeholders to ensure that all Australians can continue to have affordable, safe, just access to the healthcare services they need."

About Avant

As Australia's largest medical defence organisation and a member owned mutual, Avant represents more than 95,000 doctors—over half the nation's medical workforce—across general practice and every specialty. Alongside medical indemnity, we provide services such as private health insurance and practice management support, giving us unique insight into the healthcare system in which doctors work.

For further information, please visit www.avant.org.au

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