

SUBMISSION

Friday, 21 August 2026

Inquiry into the Private Health Insurance Amendment (Modernising the Private Health Insurance Rebate) Bill 2026

Submission to Senate Community Affairs Legislation Committee

By email: community.affairs.sen@aph.gov.au

Introduction

The Australian Medical Association (AMA) appreciates the opportunity to provide a submission to the Senate Community Affairs Legislation Committee on the Private Health Insurance Amendment (Modernising the Private Health Insurance Rebate) Bill 2026.

The AMA welcomes the government's recognition there is an urgent need for greater funding for aged care. However, this should not come at the expense of private health funding for older people who are likely to need aged care. Nor should it add further burdens to an already overburdened public hospital system.

Australia's health system relies on a delicate balance between the public and private sectors. Private health insurance plays a critical role in supporting patient choice, sustaining private hospitals and specialist services, and relieving pressure on public hospitals.

The AMA is concerned the Bill removes a longstanding incentive for older Australians to maintain private health insurance at a time when the private health sector is facing significant financial pressure and public hospitals are already under considerable strain. The proposal would reduce the private health insurance rebate for Australians aged 65 years and over by aligning their rebate entitlement with younger Australians on the same income.

The Explanatory Memorandum projects federal savings of almost \$3 billion over four years and assumes only a limited impact on private health insurance participation. However, the AMA remains unconvinced these projected savings will be realised in practice. The government's own analysis acknowledges the measure is expected to reduce private health insurance participation, reduce

privately insured hospital activity, increase demand for public hospital services, and adversely affect private hospitals and insurers.

The AMA is particularly concerned the claimed fiscal savings reflect reductions in federal rebate expenditure do not adequately account for the broader costs that may arise elsewhere in the health system:

- Where older Australians leave or downgrade private health insurance, activity does not disappear. Instead, it risks being shifted to already overstretched public hospitals, increasing cost pressures for governments and reducing access to timely care for patients.
- Where older Australians who have been holding private health insurance for decades choose not to relinquish their insurance, they might seek to offset the increased cost of the premium by foregoing other care, such as general practice or referrals to imaging or specialists, potentially delaying necessary care and worsening their health outcomes.

The AMA also notes the proposal has been developed without consultation on the specific measure and relies heavily on modelling assumptions about consumer behaviour in an environment characterised by ongoing cost-of-living pressures and well-documented challenges facing private hospitals.

The AMA believes the committee should seek further evidence regarding:

- the likely impact on private health insurance participation
- the effect on private hospital viability and specialist services
- the consequences for public hospital demand and waiting times
- whether the projected savings represent genuine net savings to Australia's health system.

At this point, the AMA could only support the Bill if it was amended to allow existing aged-based PHI rebates for those aged 65–69, and those aged 70 years and older, to be retained for those on Medicare Levy Surcharge 'base tier' incomes (i.e. \$105,000 or less for singles; \$210,000 for a couple/family, in 2026–27). This is because demand for private health insurance is much more price-sensitive among older Australians on relatively low incomes than it is for those on higher incomes.ⁱ

Forecast savings not demonstrated

The Explanatory Memorandum states the measure will reduce federal expenditure by \$2.9947 billion over four years. However, the same Impact Analysis also acknowledges the proposal is expected to:

- reduce private health insurance participation
- reduce privately insured hospital activity
- increase public hospital demand
- adversely affect private hospitals and private health insurers.

The AMA is concerned the projected fiscal savings focus solely on reduced rebate expenditure while insufficiently accounting for downstream consequences across the broader health system.

The government's preferred option relies heavily on modelling suggesting almost all affected older Australians will retain their private health insurance. The Impact Analysis projects about 42,000 fewer insured people under the preferred option compared to the status quo by 2028–29. The department's

own success measure allows for insurance participation to fall by up to one percentage point before the reform would be considered unsuccessful (Explanatory Memorandum, p18).

The federal and state governments jointly fund public hospitals. Where private patients leave the private system and seek treatment in public hospitals, costs are not eliminated. They are transferred. The Impact Analysis acknowledges public hospitals may face increased demand and that reductions in private hospital activity are expected under the preferred option.

The AMA is deeply concerned by any policy measure that risks increasing demand on Australia's public hospitals. Through successive Ambulance Ramping Report Cards, Public Hospital Report Cards, our Clear the Logjam campaign and extensive advocacy on hospital capacity, the AMA has consistently highlighted the growing pressure facing public hospitals across Australia. Emergency departments are overcrowded, elective surgery waiting lists remain unacceptably long, and many health systems continue to struggle with workforce shortages and bed capacity constraints. Against this backdrop, even a modest reduction in private health insurance participation has the potential to shift additional demand into an already overstretched public hospital system.

The AMA considers any increase in public hospital demand to be a negative policy outcome. Patients do not simply disappear from the health system when they leave or downgrade private health insurance; rather, many will seek care through the public system, adding to existing pressures and potentially increasing waiting times for all Australians. The AMA therefore remains unconvinced the projected fiscal savings associated with the Bill adequately account for the broader costs that may be imposed on public hospitals and the patients who rely on them.

Risks to private hospitals

The AMA has consistently warned the financial viability of parts of the private hospital sector is deteriorating. The Impact Analysis acknowledges private hospitals are expected to experience reduced demand under the preferred option and separately references concerns about private hospital financial viability. The AMA is concerned even relatively small reductions in patient volumes will have disproportionate effects on hospitals already operating on narrow margins, where hospitals are reliant on a certain level of throughput to remain viable, especially for small, independent or regional private hospitals.

Any reduction in private sector capacity will ultimately place further pressure on the public hospital system, a trend already observed in maternity where private maternity units are closing, increasing the pressure on public hospitals.

While this measure is unlikely to exacerbate the impact on private maternity specifically, the private hospital sector provides about 70 per cent of elective surgeries in Australia. The likelihood of needing some elective surgeries such as cataracts, hip or knee replacements, and some cancer and cardiovascular procedures increases with age, and in the private health system, these procedures tend to be covered by the more expensive gold tier or silver plus private health insurance policies. If older Australians downgrade or drop their private health insurance as a result of the Bill, there is likely to be significant drop in the volume of these procedures in private hospitals.

The AMA is also concerned about the Bill's potential impact on private psychiatry hospitals/units. Mental illnesses are often life-long illnesses that do not 'go away' as a person ages. Treatment of

major depression in older age often uses inpatient electroconvulsive therapy rather than pharmacological approaches to avoid interactions with medications the patient is already taking to treat other conditions. If older patients find themselves forced to downgrade or drop their private health insurance because of the Bill, more mental healthcare will be shifted to the already overburdened public hospital system.

Once private hospital capacity is lost through attrition, it is difficult to rebuild. Private hospital closures, service reductions and specialist withdrawal from private practice can have long-term consequences for patient access and health system resilience.

Consultation has been inadequate

The Impact Analysis confirms no consultation was undertaken on the specific proposal because of Federal Budget confidentiality requirements. While the AMA acknowledges the constraints associated with Budget processes, this measure is likely to affect millions of policyholders and has potential implications across the private and public health systems.

The absence of consultation is particularly concerning given the government's own modelling identifies risks to participation, private hospitals, insurers and public hospitals.

A reform of this significance would ordinarily warrant targeted consultation with multiple stakeholders, and the absence of consultation increases the risk of unintended consequences.

Conclusion

The AMA remains unconvinced the projected savings from the Bill as it stands represent genuine net savings to Australia's broader health system.

The government has acknowledged the measure is expected to reduce private health insurance participation, reduce private hospital activity and increase public hospital demand.

In AMA's view, the evidence currently available does not demonstrate these impacts will be as minor as the government suggests they will, nor that the claimed savings will outweigh the resulting costs across the health system.

The AMA does not support the Bill without an amendment to ensure the PHI participation of those aged over 65, and those aged over 70 on 'base tier' incomes is protected, by maintaining their current additional aged-based rebates.

Accordingly, the AMA recommends the committee:

1. seek further independent analysis of the projected fiscal and health system impacts
2. require detailed assessment of the effects on private hospital viability and public hospital demand
3. recommend the Bill be amended to provide an exemption so existing additional aged-based rebates for those aged 65–69 and those aged 70 years and older who are on Medicare Levy Surcharge 'base tier' incomes (i.e. \$105,000 or less for singles; \$210,000 for a couple/family in 2026–27) are not removed.

Contact

president@ama.com.au

ⁱ Finity Consulting. (2022) Review of MLS, PHI Rebate and LHC for the Australian Government Department of Health and Aged Care, p. 58; Melbourne Institute of Applied Economic and Social Research. (2022). Elderly responses to private health insurance incentives: evidence from Australia, Working Paper No.8/22.