



Private health insurance rebates					
Party:	Australian Greens				
<p>Summary of proposal:</p> <p>The proposal would phase out the Private Health Insurance (PHI) Rebate from 1 July 2026.</p> <p>The proposal would also remove the Medicare Levy Surcharge (MLS) and Lifetime Health Cover Loading from 1 July 2025.</p>					
<p>Additional information (based on further advice provided):</p> <p>The PHI phase-out would occur over 3 years as follows:</p>					
Tier and age ranges	Current rebate percentage <sup>1</sup>	Proposed rebate percentage			
	2025-26	2026-27	2027-28	2028-29	2029-30
Base tier <65	24.288	15.000	5.000	-	-
Tier 1 <65	16.192	6.000	-	-	-
Tier 2 <65	8.095	-	-	-	-
Base tier 65-69	28.337	19.000	9.000	-	-
Tier 1 65-69	20.240	11.000	-	-	-
Tier 2 65-69	12.143	-	-	-	-
Base tier 70+	32.385	23.000	13.000	3.000	-
Tier 1 70+	24.288	15.000	5.000	-	-
Tier 2 70+	16.192	-	-	-	-

## Costing overview

The proposal would be expected to increase the fiscal balance by around \$14.8 billion and the underlying cash balance by around \$14.1 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects a decrease in PHI Rebate expenses due to the combined effect of lower rebate rates of affected recipients, and an assumed decrease in the number of people using PHI from the resultant higher out-of-pocket cost. There would also be a decrease in revenue due to the removal of the MLS.

<sup>1</sup> These rebate rates were effective from 1 April 2025 to 31 March 2026.

The difference between the fiscal and underlying cash balances reflects the timing difference between when the PHI Rebate is incurred and reconciled through the Australian Taxation Office. More details are at *Key Assumptions*.

Broader effects, including the potential flow-on impacts on the public health system, have not been included in this costing. These effects are highly uncertain, though likely to result in additional costs to the public health system.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

**Table 1: Private health insurance rebates – Financial implications (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-2.0	2,670.0	5,250.0	6,860.0	<b>14,778.0</b>
Underlying cash balance	-2.0	2,270.0	5,050.0	6,760.0	<b>14,078.0</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.  
 (b) PDI impacts are not included in the totals.

### Key uncertainties

The financial implications of this costing are sensitive to changes in health insurance premiums, the consumer price index and, while the rebates are being phased out, the assumed behavioural response to the cost of PHI. Broader effects, including the potential flow-on impacts on the public health system, have not been included in this costing as these effects are highly uncertain. These are highly sensitive to individuals’ uptake of private health insurance in the absence of the rebate and their choice of health treatments in cases where they are no longer privately insured. Given data limitations on such behavioural responses, the flow-on effects cannot be reliably quantified.

### Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal:

- A price elasticity of demand of -0.15<sup>2</sup> for private health insurance, consistent with elasticities discussed in academic literature (see Liu and Zhang 2022).
- In the absence of this proposal:
  - the current PHI rebate rates would remain constant over the medium term
  - total PHI premiums would increase in line with CPI and population growth over the medium term.
- The timing of MLS collections and PHI rebate payments are as follows:
  - 90% of PHI rebate expenses would be delivered in the same financial year in which they accrue and 10% in the following financial year.
  - 95% of the MLS revenue is collected in the next financial year after the liability is incurred and 5% in the financial year that follows.

<sup>2</sup> A price elasticity of demand of -0.15 implies that a 1% decrease in the out-of-pocket cost of private health insurance would lead to a 0.15% increase in demand for private health insurance.

## Methodology

The financial implications of the proposal were estimated using a microsimulation model based on de-identified unit record data on personal income tax and private health insurance premiums for the 2022-23 income year, as well as the PHI rebate expenditure medium-term projections in PBO's *Build Your Own Budget* as at the 2025-26 Budget.

To estimate the behavioural response, the assumed price elasticity of demand was applied to the average market price of private health insurance, net of the PHI rebate.

As the Lifetime Health Cover Loading is not subject to the PHI rebate, removing it will not directly affect the Commonwealth budget.

Departmental implementation expenses were based on recent budget measures with similar administrative complexity.

Financial implications were rounded consistent with the PBO's rounding rules.<sup>3</sup>

## Data sources

The Australian Taxation Office provided de-identified personal income tax returns for the 2022-23 income year.

Australian Taxation Office (2024) [Taxation Statistics 2021-22](#), ATO website, accessed 11 April 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

Liu J and Zhang Y (2022) [Melbourne Institute Working Paper No. 08/22 - Elderly responses to private health insurance incentives: evidence from Australia](#), University of Melbourne website, accessed 22 April 2025.

Parliamentary Budget Office (2025) [Build Your Own Budget](#), PBO website.

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<sup>3</sup> <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

## Attachment A – Private health insurance rebates – Financial implications

**Table A1: Private health insurance rebates – Fiscal balance (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Revenue</b>													
<i>Medicare levy surcharge</i>	-	-1,130.0	-1,250.0	-1,340.0	-1,460.0	-1,550.0	-1,640.0	-1,740.0	-1,840.0	-1,940.0	-2,050.0	-3,720.0	-15,940.0
<b>Expenses</b>													
<b>Administered</b>													
<i>Private health insurance rebate</i>	-	3,800.0	6,500.0	8,200.0	8,700.0	9,000.0	9,300.0	9,700.0	10,000.0	10,400.0	10,700.0	18,500.0	86,300.0
<b>Departmental</b>													
<i>Implementation expense</i>	-2.0	-	-	-	-	-	-	-	-	-	-	-2.0	-2.0
<b>Total – expenses</b>	<b>-2.0</b>	<b>3,800.0</b>	<b>6,500.0</b>	<b>8,200.0</b>	<b>8,700.0</b>	<b>9,000.0</b>	<b>9,300.0</b>	<b>9,700.0</b>	<b>10,000.0</b>	<b>10,400.0</b>	<b>10,700.0</b>	<b>18,498.0</b>	<b>86,298.0</b>
<b>Total (excluding PDI)</b>	<b>-2.0</b>	<b>2,670.0</b>	<b>5,250.0</b>	<b>6,860.0</b>	<b>7,240.0</b>	<b>7,450.0</b>	<b>7,660.0</b>	<b>7,960.0</b>	<b>8,160.0</b>	<b>8,460.0</b>	<b>8,650.0</b>	<b>14,778.0</b>	<b>70,358.0</b>

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

**Table A2: Private health insurance rebates – Underlying cash balance (\$m)<sup>(a)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Receipts</b>													
<i>Medicare levy surcharge</i>	-	-1,130.0	-1,250.0	-1,340.0	-1,460.0	-1,550.0	-1,640.0	-1,740.0	-1,840.0	-1,940.0	-2,050.0	-3,720.0	-15,940.0
<b>Payments</b>													
<b>Administered</b>													
<i>Private health insurance rebate</i>	-	3,400.0	6,300.0	8,100.0	8,700.0	9,000.0	9,300.0	9,600.0	10,000.0	10,300.0	10,700.0	17,800.0	85,400.0
<b>Departmental</b>													
<i>Implementation expense</i>	-2.0	-	-	-	-	-	-	-	-	-	-	-2.0	-2.0
<b>Total – payments</b>	<b>-2.0</b>	<b>3,400.0</b>	<b>6,300.0</b>	<b>8,100.0</b>	<b>8,700.0</b>	<b>9,000.0</b>	<b>9,300.0</b>	<b>9,600.0</b>	<b>10,000.0</b>	<b>10,300.0</b>	<b>10,700.0</b>	<b>17,798.0</b>	<b>85,398.0</b>
<b>Total (excluding PDI)</b>	<b>-2.0</b>	<b>2,270.0</b>	<b>5,050.0</b>	<b>6,760.0</b>	<b>7,240.0</b>	<b>7,450.0</b>	<b>7,660.0</b>	<b>7,860.0</b>	<b>8,160.0</b>	<b>8,360.0</b>	<b>8,650.0</b>	<b>14,078.0</b>	<b>69,458.0</b>

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

**Table A3: Private health insurance rebates – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<b>Fiscal balance</b>	..	50.0	220.0	480.0	820.0	1,180.0	1,570.0	1,990.0	2,440.0	2,930.0	3,450.0	750.0	15,130.0
<b>Underlying cash balance</b>	..	40.0	170.0	420.0	730.0	1,090.0	1,470.0	1,880.0	2,330.0	2,810.0	3,320.0	630.0	14,260.0

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary<sup>4</sup>.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

.. Not zero but rounded to zero.

<sup>4</sup> [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au)