



CANSTAR'S GUIDE TO...



Choosing health insurance.



AUSTRALIA HAS A TERRIFIC UNIVERSAL HEALTH CARE SYSTEM, CALLED MEDICARE. THIS SYSTEM ENSURES THAT ALL AUSTRALIANS HAVE ACCESS TO FREE HOSPITAL TREATMENT IN THE EVENT OF EMERGENCIES OF LIFE-THREATENING CONDITIONS.

For those who want a choice of hospital, coverage for non-life threatening conditions and perhaps faster attention, private health insurance is a must-have cover. Private health insurance co-exists with the Medicare system and the federal government uses a combination of incentives and penalties to encourage as many Australians as possible to have private cover.

Choosing a private health insurance policy can be difficult and confusing; CANSTAR's Guide aims to help you:

- Learn about the federal government incentives and penalties you may encounter
- Find out who offers health insurance
- Understand the different types of private health insurance that exist
- Work out ways to make the cost of health insurance cheaper
- Start the process of choosing a great-value health insurance policy that suits your personal needs



Incentives and penalties

FROM A LOW OF AROUND THIRTY PERCENT IN 1997 TO APPROXIMATELY 47% CURRENTLY, MEMBERSHIP OF PRIVATE HEALTH FUNDS HAS BEEN STEADILY INCREASING, IN PART DUE TO SOME INCENTIVES AND PENALTIES INTRODUCED BY THE FEDERAL GOVERNMENT. THE MAIN ONES ARE AS FOLLOWS:

THE MEDICARE LEVY SURCHARGE

In 1997 the government introduced the Medicare levy surcharge, at a flat rate of 1% levied against high income-earning taxpayers who did not hold a private health insurance policy. In 2012 this surcharge was tiered, to a current maximum rate of 1.5%. For the 2013/14 financial year, the Medicare levy surcharge rates kicks in at the following income levels:

Singles	\$88,000 or less	\$88,001 - \$102,000	\$102,001- \$136,000	\$136,001 or more
Families	\$176,000 or less	\$176,001- \$204,000	\$204,001- \$272,000	\$272,001 or more
Medicare levy surcharge rate	0%	1%	1.25%	1.5%

Source: ato.gov.au

The Medicare levy surcharge is applied to:

- your taxable income
- your total reportable fringe benefits, and
- any amount on which family trust distribution tax has been paid.

THE LIFETIME HEALTH COVER LOADING

Commencing in July 2000, the lifetime health cover loading is designed to encourage people to put a private health insurance policy in place while they are still young and healthy rather than delaying it until they are older.

In dollar terms, it means that if you don't have private health insurance by the 1st of July following your 31st birthday and then decide to take out hospital cover later in life, you will pay a 2% loading on top of your premium for every year you are aged over 30. So for example, a 40 year-old taking out cover for the first time will pay 20% more than a 30 year-old for the same cover. According to the Private Health Insurance Administration Council (PHIAC), approximately 14.4% of insured Australians are currently paying a lifetime health cover loading.

The maximum loading is 70% and that loading would apply to anyone who first takes out health insurance at age 65 or more. The loading is removed once a person has held private health insurance for 10 years.

There are some exceptions to the lifetime health loading rule; [you can read more about it on our website.](#)

THE PRIVATE HEALTH INSURANCE REBATE

In 1999, the federal government also introduced a subsidy scheme to help taxpayers with the cost of their insurance cover. Ultimately this became the private health insurance rebate that we currently have, whereby health insurance holders are reimbursed up to 40% of the cost of their insurance premium.

In July 2012 the private health insurance rebate began to be means-tested and the proportion of rebate that you receive is now dependent on your income threshold and your age. It's also worth noting that the government is now paying a lower percentage of rebate than previously. Nor is the rebate paid on any lifetime health cover loading you have.

So how much rebate might you be entitled to? For the 2014/15 financial year, the income thresholds and associated rebate are:

	≤\$90,000	\$90,001-105,000	\$105,001-140,000	≥\$140,001
Singles				
Families	≤\$180,000	\$180,001-210,000	\$210,001-280,000	≥\$280,001
REBATE				
	Standard	Tier 1	Tier 2	Tier 3
< age 65	29.04%	19.36%	9.68%	0%
Age 65-69	33.88%	24.20%	14.52%	0%
Age 70+	38.72%	29.04%	19.36%	0%
MEDICARE LEVY SURCHARGE				
All ages	0.0%	1.0%	1.25%	1.5%

Single parents and couples (including de facto couples) are subject to family tiers. For families with children, the thresholds are increased by \$1,500 for each child after the first.

Please note that the rebate is not applicable to any lifetime health cover loading.



Who offers health insurance?

WHILE THERE ARE MANY HUNDREDS OF DIFFERENT HEALTH INSURANCE POLICIES AND COMBINATIONS AVAILABLE ON THE MARKET, THE FACT IS THAT THERE ARE CURRENTLY JUST 36 HEALTH FUNDS OFFERING INSURANCE. IN ALPHABETICAL ORDER, THESE FUNDS ARE:

TITLE	TYPE
ACA Health Benefits Fund	Restricted
ahm Health Insurance	Open
Australian Unity Health Limited	Open
Bupa Australia Pty Ltd	Open
CBHS Health Fund Limited	Restricted
CDH Benefits Fund	Open
Central West Health Cover	Open
CUA Health Limited	Open
Defence Health Limited	Restricted
Doctors' Health Fund	Restricted
GMF Health	Open
GMHBA Limited	Open
Grand United Corporate Health	Open
HBF Health Limited	Open
HCF	Open
Health Care Insurance Limited	Open
Health Insurance Fund of Australia Limited	Open
Health Partners	Open
health.com.au	Open
Latrobe Health Services	Open
Medibank Private Limited	Open
Mildura District Hospital Fund Ltd	Open
National Health Benefits Australia Pty Ltd (onemedifund)	Open
Navy Health Ltd	Restricted
NIB Health Funds Ltd.	Open
Peoplecare Health Insurance	Open
Phoenix Health Fund Limited	Restricted
Police Health	Restricted
Queensland Country Health Fund Ltd	Open
Railway and Transport Health Fund Limited	Restricted
Reserve Bank Health Society Ltd	Restricted
St.Lukes Health	Open
Teachers Health Fund	Restricted
Transport Health Pty Ltd	Restricted
TUH	Restricted
Westfund Limited	Open

Source: privatehealth.gov.au

Not all funds are available to all people in all states. You can contact the specific funds for more information.



Types of health insurance

BROADLY SPEAKING, THERE ARE TWO TYPES OF HEALTH INSURANCE. THESE ARE:

HOSPITAL COVER

Hospital cover is the main “body” of private health insurance and is the cover that you must have in order to avoid the Medicare levy surcharge and the lifetime health cover loading.

Hospital cover helps to insure some or all of your hospital costs that aren't met by Medicare. This may include things such as accommodation, theatre fees, tests and all other inpatient services. Having hospital cover gives you the flexibility to decide whether you want to be treated as a public patient in a public hospital, as a private patient in a public hospital or as a private patient in a private hospital. Policies will differ on exactly what hospital treatment they will cover – as well as what hospitals they will cover.

ANCILLARY COVER

This is sometimes referred to as “extras” cover and is your insurance for non-hospital related things that aren't covered fully by Medicare. This includes services such as dental, optical, physiotherapy, chiropractic and other services. Funds differ in what extras they offer between policies; some may include treatments such as acupuncture and gym membership.

It's interesting to note that more Australians have private health insurance ancillary cover than have hospital cover; approximately 55% and 47% of the population respectively, based on the most recent statistics from PHIAC. While some extras policies offer a wide range of services, there are a few consistent categories in which we claim the most. These are:

- Optical
- Dental
- Chiropractic
- Physiotherapy


So how much do we claim? According to the most recent statistics, during the March 2014 quarter, insurers paid \$1.13 billion in ancillary benefits. This included the major categories of dental (\$571 million), optical (\$214 million), physiotherapy (\$94 million) and chiropractic (\$76 million).

These two types of cover – hospital cover and ancillary cover – are the two types of health insurance available. These can be bought as stand-alone policies, or may be purchased as a package.



Make it cheaper

HOPEFULLY YOU HAVE NOW DECIDED THAT HEALTH INSURANCE IS A MUST-HAVE COVER. EVEN SO, THERE IS NO NEED TO PAY MORE FOR IT THAT YOU HAVE TO. A GREAT-VALUE POLICY DOES NOT ALWAYS EQUATE TO THE MOST EXPENSIVE POLICY. SO HERE ARE SOME TIPS FOR KEEPING THE COST OF HEALTH INSURANCE UNDER CONTROL:

- **Decide what level of hospital cover you need** – Based on your needs, you can choose the level of health insurance cover that is most appropriate. There is generally a choice between the top level of insurance (which must cover all services where Medicare pays a benefit), a medium level (which may restrict the amount of benefit that they will pay for certain conditions) and a basic level of cover (which will have a number of exclusions, such as pregnancy, eye surgery, hip and knee replacements, rehabilitation and cardiac services). Think carefully before excluding conditions, but be aware that the higher your level of cover, the higher the cost.
 - **Match the inclusions of the policy to what you need** – further refining the point above, different policies within the same level of cover will have different inclusions, so make a shopping list of which inclusions are important for you. For example, it makes no sense to pay for obstetrics and IVF if you are in the mature stage of your life. The same applies to a young person paying for hip replacement cover. Look closely at policies to ensure you are paying only for what is useful to you. Bear in mind that your needs will change as your life progresses, so it's important to review your policy regularly.
 - **Know what you can claim** – If you have incurred a medical cost, make sure you check with your health fund to see whether you can make a claim. To that end, make sure you keep the relevant paperwork to submit!
 - **Pay a higher excess/co-payment** – you can lower the premium on your private health policy by opting to pay a higher excess. Of course, weigh up the premium saving with your ability to come up with the excess payment (often unexpectedly) if required. Also consider your likely frequency of payment; if you have several children, for example, or a chronic illness, you may end up having several hospital visits each year. In this instance a slightly higher premium may be better value than a higher excess.
 - **Avoid the Lifetime Health Cover loading** – We have explained this loading earlier. Remember, any loading that you attract will remain with you for 10 years. It's worth minimizing the loading if you can!
 - **Shop around** – Not all policies are created equal, so shop around for a policy that represents fantastic value for your needs. [Try CANSTAR's "compare health insurance" tool here.](#)
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Start choosing

SO NOW IT'S TIME TO START THE PROCESS OF CHOOSING A GREAT-VALUE POLICY THAT SUITS YOUR PERSONAL NEEDS.

Firstly though – do you currently have health insurance? If so, dig out your policy document (or download it online) and have a quick read through to work out what cover you already have. After all, you may already have the ideal policy!

If you don't think that's the case, then let's put together a shortlist of ideal policies to choose from.

[Try CANSTAR's comparison tool.](#)

CANSTAR's comparison tool will display a list of star-rated policies that might suit your needs.

From there you will be able to make a shortlist of policies that have the specific inclusions you are looking for.

Hopefully you will be able to find the answers to any questions that you have via our comparison tool, and if you're confident that you have found the ideal health cover, you can simply apply for the insurance online. But if you have any niggling questions – then pick up the phone and call the insurers on your shortlist. Some questions that you might have include:

- What waiting periods apply?
- Is ambulance cover included?
- What are the annual claim limits?
- What co-contribution may apply?
- Is there a list of hospitals that have a service agreement with the fund?
- Is there a discount for multiple policies?

Just a few examples of questions that may still be swirling around in your head.

[Also, of course, don't hesitate to phone your current insurance provider to see if they can match the features and price of a rival policy. It's always worth a try.](#)




Get it done!

Having read through and acted on this guide, you now understand the incentives and penalties that can apply if you do not have private health insurance in place. You also understand the difference between and purpose of both hospital cover and ancillary cover. You know what type of “profile” you fit into and have made a list of the specific policy inclusions that are important for you. You have worked out some strategies to keep the cost of private health insurance affordable and you’ve made a shortlist of appropriate policies. Well done!

Just as a recap, here’s your checklist:

I HAVE...

- ✓ Learnt about the federal government incentives and penalties that exist
 - ✓ Learnt about the different types of private health insurance in the market
 - ✓ Prioritised the features of a health insurance fund that are important for me
 - ✓ Worked out some ways to make the cost of health insurance cheaper
 - ✓ Started the process of choosing a great-value health insurance policy
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