

Beating the Change to the Private Health Rebate May 2012

Legislation was recently passed to introduce a means test for the private health rebate from 1 July 2012. However, it is possible to pay in advance for next financial year by 30 June if these changes will impact you or your family.

The **current private health rebate** is dependent on your age and finishes on 30 June 2012:

- 30% for people under 65,
- 35% for people aged 65-69, and
- 40% for people aged 70 and over.

The **new rebate** starts on 1 July 2012, and there can be big savings if you prepay your policy for those with income (Income for MLS Purposes*) above the rates below:

Tier	Income \$ Singles	Income \$ Families	Rebate Under age 65	Rebate Age 65- 69	Rebate Age 70+	Medicare Levy Surcharge
	\$0 - \$84,000	\$0 - \$168,000	30%	35%	40%	Nil
1	\$84,001 - \$97,000	\$168,001 - \$194,000	20%	25%	30%	1%
2	\$97,001 - \$130,000	\$194,001 - \$260,000	10%	15%	20%	1.25%
3	Over \$130,000	Over \$260,000	0	0	0	1.5%

These thresholds increase annually, indexed by Average Weekly Ordinary Time Earnings. For families with more than one child, the family thresholds increase by \$1,500 for every child after the first.

Implications of Pre-paying Healthcare Fund prior to 30 June

For people under 65 earning less than \$84,000 as a single or \$168,000 as a couple, the change has no impact.

For people earning over \$130,000 as a single or \$260,000 as a couple, the change is significant. For example, if combined income is \$300,000 and health insurance costs are \$4000 per year, the saving by pre-paying will be \$1,200.

Please be aware that this is a once-off saving and will not be possible in future. If you wish to make a pre-payment, you need to contact your health fund directly to make the relevant arrangements.

On a broader level, CHOICE has undertaken a study and determined that, even with the higher potential net cost, keeping your hospital cover is probably a good move. The key reason for this is the increased Medicare Levy Surcharge that applies to those on relevant incomes who do not have private health cover (see table above).

*Income for MLS purposes includes reportable fringe benefits, reportable superannuation contributions, taxable income and total net investment losses. It excludes tax-free superannuation pension payments.



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